

**REVIEW OF PRESIDENT'S FISCAL YEAR 1987 BUDGET PROPOSALS
FOR THE FOOD STAMP PROGRAM, THE TEMPORARY
EMERGENCY FOOD ASSISTANCE PROGRAM, THE COMMODITY
SUPPLEMENTAL FOOD PROGRAM, AND RELATED NUTRITION
PROGRAMS**

HEARINGS

BEFORE THE
SUBCOMMITTEE ON DOMESTIC MARKETING,
CONSUMER RELATIONS, AND NUTRITION
OF THE
COMMITTEE ON AGRICULTURE
HOUSE OF REPRESENTATIVES

NINETY-NINTH CONGRESS

SECOND SESSION

MARCH 7, 1986, DETROIT, MI
APRIL 16, 1986, WASHINGTON, DC

Serial No. 99-26



Printed for the use of the Committee on Agriculture

U.S. GOVERNMENT PRINTING OFFICE

61-853 O

WASHINGTON : 1986

For sale by the Superintendent of Documents, Congressional Sales Office
U.S. Government Printing Office, Washington, DC 20402

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REVIEW OF DOMESTIC NUTRITION ASSISTANCE PROGRAMS AND HUNGER CONDITIONS IN THE DETROIT AREA

FRIDAY, MARCH 7, 1986

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON DOMESTIC MARKETING,
CONSUMER RELATIONS, AND NUTRITION,
COMMITTEE ON AGRICULTURE,
Detroit, MI.

The subcommittee met, pursuant to notice, at 9:05 a.m., in the 13th floor auditorium, City-County Building, Detroit, MI, Hon. Leon E. Panetta (chairman of the subcommittee) presiding.

Also present: Representatives Crockett and Levin.

Staff present: Deborah A. Dawson.

OPENING STATEMENT OF HON. LEON E. PANETTA, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. PANETTA. The Subcommittee on Domestic Marketing, Consumer Relations, and Nutrition is now in order for the purpose of conducting hearings here in Detroit, MI.

My name is Leon Panetta and for 3 years I have been chairman of the subcommittee. Joining me this morning is Michigan Congressman George Crockett from this area and I want to express on his behalf and mine, a good morning and welcome.

Today's field hearing marks the 8th field hearing of this subcommittee, approximately the 16th hearing that I have led both combining this subcommittee as well as the Task Force on Domestic Hunger that I chair of the Select Committee on Hunger in the Congress, in which we have traveled throughout the country over the past 3 years reviewing the effectiveness of Federal nutrition programs and also trying to determine the seriousness of the hunger problem in our society. In each city that we have visited, whether it was Cleveland, Birmingham, Los Angeles, Boston, Miami, Oklahoma City, or a number of others, or the rural areas that we have visited from Mississippi to California, we have received compelling documentation of a very serious hunger problem in this country.

Just last month a 25-city survey conducted by the U.S. Conference of Mayors confirmed for the third year in a row that the demand for emergency food relief has grown dramatically.

A substantial unmet need remains. At the same time, we are hearing from health professionals that there is increasing evidence of adverse health consequences resulting from inadequate nutrition, especially among our most vulnerable groups.

In Massachusetts, the Governor called forth a major initiative in 1984 to establish Statewide Failure to Thrive Clinics to provide protection and care for children exhibiting growth problems caused by inadequate nutrition.

The growth of the hunger problem is not altogether surprising, given the large number of American families that are living in poverty. Recent statistics tell us that in 1984 almost 34 million Americans were poor. Of these, 13.3 million are children; 1 out of every 4 children are living below the poverty line.

In 1984, over 5 million more Americans were living in poverty than in 1980, representing one of the highest poverty levels since 1964. These figures are discouraging now at a time when our economy is generally improving.

These figures suggest the emergence of two very distinct views of America. One of the rich and the well-off and the other of the poor and the hungry.

Through my experiences as chairman of this subcommittee, I have learned that America's low-income families must have a reliable, consistent support system if they are to meet the challenges of survival in our society. Most basic to their health and security is an adequate diet.

At the Federal level we have worked on legislation to try to keep families from experiencing hunger and to provide supplementary nutrition through the Food Stamp Program and the Commodity Distribution Program.

In 1983, legislation was passed in the Congress that I sponsored and that was supported by many on both the House and the Senate side, to provide surplus commodity donations to many households. It was our feeling at that time that it made very little sense to have excessive surpluses in our bins of grain and corn throughout the country when, at the same time, we were experiencing a serious hunger problem in the communities that we have seen personally.

And so our view was that we ought to take some of those surpluses and provide them to the communities as temporary emergency food assistance. And that was the program that was begun, we extended that for 2 additional years this last year and we have provided administrative funding which is so essential to getting the food out to people. That has been extended for a period of time as well so that we can continue that program.

Over the last 2 years we also have been successful. The story of hunger in our society is not all one of failure. As a result of the studies that have been conducted both by the subcommittee as well as the various Governor's groups and the mayor's groups and even the President's Commission on Hunger, all substantiating the problem of hunger, we have developed a sensitivity toward the problem.

A few years ago we put together the first Hunger Relief Act in a number of years, H.R. 5151. It passed overwhelmingly in the House. Unfortunately, it was stopped in the Senate. Last year, in the effort to improve food programs that are part of the overall farm bill, we passed substantial legislation to provide and meet some of the needs that we were seeing throughout the country.

And as a consequence, we were able on the House side to provide for \$1.4 billion in additional benefits. Unfortunately, the Senate

provided for \$1 billion cut in essentially the same program. We were able, however, to succeed in providing additional assistance for those who are poor and who are hungry.

The measure of success achieved last year, I think, is significant in this year of across-the-board Federal reductions. Our struggles are not over. Attempts by Congress to exempt Federal nutrition programs from the Budget Act have been countered by the administration in presenting the fiscal 1987 Federal budget. There are several examples of outright repeal of legislative improvements that were enacted last year in the claim of budget savings.

As an example, the administration's budget plan overturned some of the following. First, raising the earned income deduction from 18 to 20 percent, a provision adopted as part of the farm bill to assist the working poor so that people who had been able to get jobs have some incentive to continue to work.

And so we raised the income deduction. The administration's proposal would repeal that. We separated out a child-care deduction and a shelter deduction, to aid working parents. That would be repealed. We increased the assets limits for families that are receiving these benefits to enable them to have emergency savings for medical and burial expenses. That would be repealed by the President's budget proposal.

We allowed for expansion of the Commodity Supplemental Food Program to serve localities with seniors with waiting lists such as that of Focus: HOPE, serving the Detroit area. That would be repealed.

We granted continued administrative funding for the Commodity Distribution Program, the program I mentioned earlier. That administrative funding would be cut completely under the proposal. We continued nutrition education from State extension services. That would be eliminated.

We delayed assessment of error-rate sanctions against States in the administration of the Food Stamp Program to try to initiate improved quality control practices. That would be eliminated or changed dramatically.

And we have retained full benefits for recipients of cash energy assistance and that would be changed under the budget proposal.

In sum, and I think in direct contravention to many of the recommendations of the President's own Task Force on Food Assistance, the administration's fiscal 1987 budget proposal would dramatically reduce nutrition programs that are essential to meet the needs of the hungry.

So it is at this stage that we come to Detroit. We are here to learn how Federal program changes will affect the ability of State and local governments and private and nonprofit organizations to meet the food assistance demands of low-income households. Three years ago, Detroit experienced a food crisis—an emergency food crisis. Partnerships and programs were established then that continue today.

Witnesses we have asked to testify are familiar with that crisis and are invited to share their insight on how such an emergency can be averted in the future. From this view I invite witnesses to please share with us their knowledge about the current level of nutrition services in their area, their familiarity with nutritional case

studies and the health consequences of hunger, and about practical ways that the program administration and coordination might be improved to better serve households in need.

I look forward to your testimony and I want to thank all of those in the city of Detroit, Focus: HOPE or all of the other groups that have helped us in putting this hearing together and I look forward to the opportunity to learn from your experiences. Hunger in our society is a national shame.

It is important for all of us to work together to end that shame.
[The prepared statement of Mr. Panetta follows:]

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STATEMENT OF CHAIRMAN LEON E. PANETTA

DETROIT, MICHIGAN

MARCH 7, 1986

It is a pleasure to be here in Detroit, Michigan, today for a hearing of the Subcommittee on Domestic Marketing, Consumer Relations, and Nutrition. My name is Leon Panetta; for the past three years I have been Chairman of this Subcommittee. Joining me this morning are Michigan Congressmen George Crockett and Bob Traxler. Good morning and welcome.

Today's field hearing marks the eighth field hearing held throughout the country in the past three years reviewing the effectiveness of Federal nutrition programs in meeting the ever-growing demands for emergency food assistance. In each city the Subcommittee has visited, from Cleveland to Birmingham, Los Angeles to Boston, and Miami to Oklahoma City, we have received compelling documentation of a very serious hunger problem in America.

Just last month, a 25-city survey conducted by the U.S. Conference of Mayors confirmed for the third year in a row that

the demand for emergency food relief has grown dramatically. A substantial unmet need remains, at the same time health professionals are reporting evidence of adverse health consequences resulting from inadequate nutrition especially among our most vulnerable groups. In Massachusetts, the Governor called forth a major initiative in 1984 to establish statewide "Failure to Thrive Clinics" to protect and care for children exhibiting growth anomalies caused by inadequate nutrition.

The growth of the hunger problem is not altogether surprising given the number of American families living in poverty. Recent statistics tell us that in 1984 almost 34 million Americans were poor. Of these, 13.3 million were children. In 1984, over 5 million more Americans were living in poverty than in 1980, representing one of the highest poverty levels since 1964. These figures are discouraging news at a time when our economy is generally improving. These figures suggest the emergence of two distinct views of America -- one of the rich, the other of the poor.

Through my experiences as Chairman of this Subcommittee, I have learned that America's low-income families must have a reliable, consistent support system if they are to meet the challenges of survival. Most basic to their health and security is an adequate diet. At the Federal level, I have worked on legislation to keep families from experiencing hunger and to provide supplementary nutrition through the Food Stamp and Commodity Distribution Programs.

In 1983, legislation to provide surplus commodity donations to needy households was introduced by the Subcommittee. Just last year, this program, the Temporary Emergency Food Assistance Program, was extended for two additional years, including administrative funding necessary for distribution and transportation of commodities to local communities.

Over two years ago, I introduced H.R. 5151, the Hunger Relief Act. While overwhelmingly supported in the House, the Senate did not act on this legislative initiative to remedy our nation's hunger problem. It was not until last year that the House of Representatives was able to negotiate improvements in the Food Stamp and Commodity Distribution Programs with the Senate, and then, it was a matter of permitting the authorization for these programs to expire or of meeting to iron out our differences. On the House side, a bill was passed that was sensitive to the nutritional needs of the elderly, single parents, the working poor, and low-income Americans facing the dilemma of whether to heat their homes or eat. In the Senate, budget savings were accomplished by scaling back Federal nutrition programs by \$1 billion over the next five years. Fortunately, the bill enacted by the President two days before Christmas included a majority of the provisions approved by the House earlier in 1985.

While the measure of success achieved last year is significant in this era of across-the-board Federal budget reductions, our struggles are not over. Attempts by Congress to

exempt Federal nutrition programs from the budget axe have been countered by the Administration in presenting the fiscal 1987 Federal budget. There are several examples of outright repeal of legislative improvements enacted last year to claim budget savings. The Administration's budget plan overturns:

- raising the earned income deduction from 18 to 20% for the working poor;
- separating the child care deduction and shelter deduction to aid working parents;
- increasing assets limits for families to \$2,000 and for single elderly persons to \$3,000 to enable them to have an emergency savings for medical or burial expenses;
- allowing for expansion of Commodity Supplemental Food Program to serve localities with seniors on waiting lists such as that of Focus:HOPE serving Detroit-area residents;
- granting continued administrative funding for commodity distribution through TEFAP;
- continuing nutrition education through State extension universities;
- delaying assessment of error rate sanctions against States in the administration of the Food Stamp Program while initiating a study to improve quality control practices; and
- retaining full benefits for recipients of cash energy assistance.

- 5 -

In sum, and in direct contravention to many of the recommendations of President Reagan's 1984 Task Force on Food Assistance, the Administration's fiscal 1987 budget proposal saves \$350 million through Food Stamp Program cuts alone.

It is at this stage in our policy decisions that the Subcommittee comes to Detroit. We are here to learn how Federal program changes will affect the ability of State and local governments and private and non-profit organizations to meet the food assistance demands of low-income households. Three years ago, Detroit experienced an emergency food crisis. Partnerships and programs were established then that continue today.

Witnesses who will testify are familiar with that crisis and are invited to share their insight on how such an emergency can be averted in the future. From this view, I invite witnesses to share their knowledge about the current level of nutrition services in their area, about their familiarity with nutritional case studies and the health consequences of hunger, and about practical ways that program administration and coordination might be improved to better serve households in need.

I look forward to your testimony and thank all in the City of Detroit for this opportunity to learn by your experiences.

**OPENING STATEMENT OF HON. GEO. W. CROCKETT, JR., A
REPRESENTATIVE IN CONGRESS FROM THE STATE OF MICHIGAN**

Mr. CROCKETT. Thank you, Chairman Panetta. And at the outset I want to compliment you on the excellence of your opening statement.

I serve on the Foreign Affairs Committee, so I am really here by invitation of the Agriculture Committee. On the Foreign Affairs Committee we are frequently concerned with the question of hunger—but hunger in other countries. And I sometimes think that we are far more generous with respect to answering the needs of the hungry in other countries than we are to answering the needs of our own hungry people.

I want to welcome the Domestic Marketing, Consumer Relations, and Nutrition Subcommittee of the House Committee on Agriculture to Detroit and especially to this, the 13th Congressional District of Michigan, which I have the honor to represent.

I want also to especially thank Father Cunningham and Focus: HOPE for the manner in which they were able to convince Chairman Panetta to bring his subcommittee to Detroit. We are only too happy to have you and it indicates the great work that Father Cunningham and Focus: HOPE are doing.

The committee's interest in the problem of hunger in America and the committee's persistence in continuing to try to document and propose solutions for the problem are especially commendable at a time when we have as our U.S. Attorney General, someone who not too long ago made the allegations that the question of hunger in America is purely political, and that some people go to soup kitchens because the food is free and it is easier than paying for it.

There is a quotation from Attorney General Meese. "Hunger does not exist in America."

It exists, Mr. Attorney General, in huge proportions and it can be expected to increase, I believe, as long as our Federal Government continues to put bomb-building before child-feeding.

President Reagan says that no truly needy people have been cut from the Food Stamp Program or the School Lunch Program. But I am confident that the witnesses today know that that is not true.

Attendance at emergency food banks and meal sites has increased dramatically during the last 5 years. Very often these people say that they were on food stamps or on AFDC but they were forced off these programs by Federal cut-backs. And as Chairman Panetta has just pointed out, more Federal cuts are proposed in the President's idea of next year's budget.

While the problem of hunger is a national one, Detroit has much to offer those who want to understand the problem better.

This is so because we went into a depression before the rest of the country had its recession. We stayed in a recession long after the rest of the country had what it referred to as a recovery. And we have had to cope with the hunger problem to a much greater degree than most of the other sections of our country.

The result of that experience is that we have developed many exemplary nutrition programs such as Focus: HOPE, Cass Community Methodist Church, and St. John's Community Center.

But as these witnesses I am sure will tell us today, these programs simply cannot handle all of the needs of the hungry in Detroit. We must have more and stronger Federal support of nutrition and health programs. I also, Mr. Chairman, want to applaud the subcommittee for asking health care professionals to testify here today.

It is becoming more and more clear that today's hungry child will turn into tomorrow's sick adult and the future's chronically ill or disabled senior citizen. Hunger in children, or very long-term malnutrition in adults leaves lifelong scars, scars that inhibit a person's ability to lead a healthy productive life. Our country cannot afford to let this happen by saving enough money from nutrition programs to build another Trident submarine or to build several more Minuteman missiles.

And so, to conclude Mr. Chairman, I thank you for holding this hearing and I look forward to hearing all that our very fine witnesses will have to say on this very important topic. Thank you.

Mr. PANETTA. Thank you very much, Congressman Crockett, and we will now proceed with our witnesses.

First is Barbara Parker, executive assistant to Mayor Coleman Young of the city of Detroit. Coleman Young has, for a couple of years, asked us to visit the city. We appreciate his invitation and although we understand he can't be with us, we appreciate your coming.

Ms. Parker, you may proceed.

STATEMENT OF COLEMAN A. YOUNG, MAYOR, CITY OF DETROIT, DETROIT, MI, PRESENTED BY BARBARA J. PARKER, EXECUTIVE ASSISTANT, ACCOMPANIED BY RACHEL KEITH, COCHAIRPERSON, EMERGENCY RELIEF COMMITTEE

Ms. PARKER. Congressman Panetta and Congressman Crockett, on behalf of the mayor I would like to extend a very warm welcome to the city. He regrets very much that he could not join us today. But he has a message that he has asked that I read into the record for him.

And I might also add I am joined at the table by Dr. Rachel Keith who is the cochairperson of the Mayor's Emergency Relief Committee. And Mr. Bill Weatherston, who is the vice president of Stroh Brewery and representing also Mr. Peter Stroh, who is co-chairman of the Mayor's Emergency Relief Committee.

The mayor has asked that the following statement be entered into the record.

We struggle, as elected officials, and as a nation, to come to grips with the crippling effects of a massive Federal deficit. The growing urgency of our need to resolve this problem has forced us to consider options which, at another time, might have been unworthy of our consideration. Every Government program, every policy, every appropriation is being subject to the most intense scrutiny.

In our haste to resolve this crisis, we must be mindful of another deficit, equally as destructive and with far-reaching effects for us as a nation. For if we were ever able to quantify for future generations the effects of hunger and malnutrition and the destruction of the lives of more than 30 million of our citizens who live in abject

poverty, we would have to look at this waste of human resources in economic terms.

A thorough examination of the impact of our national economic policies and priorities as they relate to women, to children, the elderly, the disabled, and to minorities, is urgently required if we are to avert the very real tragedy of discovering in the near future that irreversible damage has been wrought on those least able to absorb it.

Those of us who, as representatives of the people, bear the burden of making difficult decisions, will have to live not only with ourselves, but with the real, human evidence of the impact our actions have on those whom we propose to represent.

All of us can agree with the current administration on a number of things: The President, 2 years ago, deplored hunger. He was concerned, he said, if even one child in America went to bed hungry. Yet, cuts in the Food Stamp Program and in child nutrition programs are being proposed to the tune of \$1 billion a year.

In Detroit, more than 70 percent of our public school students rely on fully subsidized lunches. Yet the basic section 4 subsidy faces elimination, as proposed by the USDA.

In Detroit, 147,510 households receive food stamps. This represents more than 330,000 people and the value of those food stamps amounts to less than 50 cents per meal. I cannot see how the program can have any value if it sustains further cuts.

In Detroit, more than 50,000 households per month rely on the TEFAP Program, that is surplus commodities distribution. Yet the USDA proposes elimination of funding for this program. We have successfully distributed more than 58 million pounds of Federal commodities in the last 3½ years. And we want to see the program continued as long as it is needed, but there is no way that we can possibly hope to absorb the costs of such a program without Federal assistance.

In fact, we ask this committee to secure for us from the USDA additional foods: cheese, butter, and cornmeal are not enough. We ask, as we have in the past, that for the duration of the current level of need, a wider variety of nutritionally valuable foods be provided for people to take home.

Those programs which address the needs of pregnant women and young children also face severe cuts while our waiting lists in Detroit continue to grow. And, our infant mortality rate remains at more than 20 deaths for 1,000 live births.

The current administration calls for the elimination of funds for emergency food and shelter. Since that program was created less than 3 years ago, it has provided more than 136 million meals and 27 million nights of lodging for the Nation's poor.

And in Detroit, it has provided more than 3 million meals and a quarter of a million nights of lodging with about \$3.4 million in funding since it began.

As long as we continue to have a community where 30 percent of the total population is receiving some form of public assistance, and as long as people run out of food stamps before the end of the month, we will continue to have to supplement their food supplies by keeping soup kitchens and pantries open. We will not be able to meet even a part of that demand if these dollars are eliminated.

When the mayor declared an economic emergency in Detroit, December 1982, there were only 6 soup kitchens and approximately 90 pantries. Seventeen soup kitchens now exist serving 70,000 meals per month, and there are nearly 200 food pantries.

Our soup kitchen program suffers from the same malady as the TEFAP Program; there is not enough variety in the kinds of foods available to congregate feeding sites at charitable institutions. The jobs bill temporarily provided canned meats, vegetables, beans, et cetera. But now, they are no longer available. But if we are to continue to feed the hungry and secure a wider variety of nutritionally valuable foods, we are going to again have to petition this committee for that assistance.

As the administration proposes the elimination of TEFAP and emergency food and emergency shelter funds, it would also rescind 70 percent of all funds appropriated at all in 1987, while at the same time they are proposing a 21-percent increase in military housing. This is the same administration whose budget calls for \$182 million reductions in community service block grants with the elimination of the program altogether in 1987.

The President has recently called for a massive review of our welfare system. He deplores, as we do, waste, fraud, and laziness. Yet he also proposed the elimination of the Work Incentive Program which provides job training for those on welfare, and he proposes that the Job Corp Program be cut in half.

While the President has assured our elderly that Social Security remains intact, massive cuts are being proposed for Medicaid and other services which assure low income elderly of a decent existence. All of these are related to the nutritional needs of our people because with less spendable income, the need to provide an adequate diet will become more urgent. These are not programs bloated by the generosity of the Federal Government. These are the same programs which sustained more than \$300 billion in cuts in the last 5 years.

In the last 3 years and 3 months, our emergency relief efforts in the city of Detroit responded to more than 6 million requests for assistance. We have collected over \$700,000 from the private sector, individual citizens and corporations, among them Chrysler and Stroh's.

General Motors Care and Share Program provided 200,000 persons with a 3-day supply of food and the Chamber of Commerce Feed the Hungry Program collected more than 6 million pounds and an additional \$700,000.

But all of these efforts which were initiated at the local level in cooperation with the mayor's emergency relief committee are stop-gap measures.

In Detroit we have come together as a community to alleviate the suffering of those who through no fault of their own find themselves in a state of economic crisis.

But as responsive as the private sector has been, there is no way that we can leave the question of whether or not people suffer from hunger or malnutrition to the possible generosity of the private sector.

We have been devastated by hunger and unemployment in much the same way floods and hurricanes have devastated other parts of

our country. We need to recognize and respond with the same degree of urgency at the national level to the needs of millions of Americans, among them thousands of Detroiters suffering from economic devastation.

Our national budget priorities demand a serious review and reexamination in the areas of improved benefits to the unemployed, health care costs and coverage, food stamps, child nutrition and the full range of programs of assistance to the needy.

The mayor is just as concerned when he hears reports that an estimated 40 percent of those eligible to receive food stamps are not getting them as he is to hear of waste and abuse in the system.

It is a national disgrace to relegate people to cheese lines and soup kitchens. Our sense of outrage as a nation to the effects of hunger and malnutrition must compel us toward corrective action. We must develop a national policy on food and nutrition in this country which touches the lives of our farmers and factory workers with equal fairness. The economy of our Nation can only be measured as sound when we measure it in terms of people leading full, healthy and productive lives. We cannot ignore the problems of our citizens by shunting them off on the capricious generosity of the private sector.

In Detroit, we measure the deficit by the 70,000 meals we serve in our soup kitchens each month. Our infant mortality rate and the 300,000 people who are receiving public assistance are a key index of economic recovery.

Between 1980 and 1983 the number of American people living in poverty rose by 6 million people in just 3 years. In discussing the 1960's and the war on poverty, President Reagan recently quipped that "poverty must have won." Well, he must have been referring to his own efforts. For, never before have we witnessed such deliberate and obvious attempts by any administration to blame the victims of its policies for its own obvious inadequacies.

With less than 1 out of every 5 unemployed persons in Detroit currently receiving unemployment benefits and double-digit unemployment for more than 5 years, we are concerned in Detroit that too many of our citizens will forever remain spectators at the celebration of our economic recovery. Thank you.

[The prepared statement of Mr. Young appears at the conclusion of the hearing.]

Mr. PANETTA. Thank you very much, Ms. Parker, that was an excellent statement by Mayor Young. We appreciate your delivering that.

Mr. William Weatherston, who is with the mayor's committee on emergency relief. Thank you for coming, Mr. Weatherston.

STATEMENT OF WILLIAM V. WEATHERSTON, MAYOR'S COMMITTEE ON EMERGENCY RELIEF, VICE PRESIDENT, CORPORATE AFFAIRS, STROH BREWERY CO.

Mr. WEATHERSTON. Thank you, Chairman Panetta and Congressman Crockett. I am William Weatherston. I am vice president of corporate affairs for the Stroh's Brewery Co.

I certainly want to thank you all for the opportunity to talk about what the corporate and private responses were for the food emergency that we have had in Detroit for the past several years.

Detroit's recognition of the crisis in hunger and malnutrition came at the beginning of this decade with the documentation of extreme needs in our community. It was our Mayor Coleman Young's December 7, 1982, declaration of state of economic emergency in Detroit and Governor Jim Blanchard's December 19 declaration of a statewide human emergency that energized the efforts of Detroit's private and corporate sectors.

When the United Community Service sent its February 1983 message to the Detroit corporate community, the letter made it very real to the corporate sector that the efforts of city, State, and Federal agencies were no longer enough. They were not filling the bill. It was critical that the private community act.

Those actions were substantial, as Ms. Parker has already indicated, providing funding to an assortment of local programs for those in need. One such program, the Feed the Hungry Program, was established in June 1982 when Michigan Bell Telephone made a grant to the Greater Detroit Chamber of Commerce for the distribution of surplus food and commodities.

They did an outstanding job of distributing over 4.3 million pounds of food; most of that food was donated by private companies.

The establishment of the Mayor's Emergency Relief Fund in 1983 and the food and cash contributions of the Family Pact Care and Share started by General Motors were major participants.

In spite of this and in spite of over \$700,000 raised by private and corporate sources to feed Detroit's hungry, there is still hunger in Detroit and there will continue to be hunger in Detroit because none of these spontaneous efforts will solve the cause of hunger.

They only give temporary remedies to hunger and its effect. The central issue of hunger in Detroit which is also the issue of hunger in America was addressed in September 1984 in the report on "Emergency Food and Shelter Needs in Metro Detroit," made by John D. MacInnes, executive vice president of United Community Services.

MacInnes wrote then, "There is a great concern that we are just moving away from an immediate crisis to a chronic crisis that cannot be offset by emergency provisions * * * the problem demands our commitment to find long-range solutions."

Among the solutions outlined by the UCS, the long-term action plan was that of "a movement toward * * * a national food policy, with a goal of ending hunger and malnutrition." That policy was phrased as "the fundamental belief in the peoples' right to life, liberty and the pursuit of happiness and includes the right of adequate food to meet nutritional needs."

The failure of our Federal Government to develop a national nutrition and hunger policy can rightfully be seen as one of the causes of continuing hunger in America today. In fact, the inflexibility of the system as it stands can be seen as a contributing factor to hunger here and around the country through the rigid distribution practices such as those outlined in the old title I and title II distribution programs.

Our experience in Detroit of receiving food which we could not distribute to the hungry was the focus of a Detroit Free Press editorial on January 26. In their words, food flooded Detroit with 50-pound bags of foodstuffs which could not be handed out without repackaging and no funds were provided for repackaging.

It was not a problem simply of repackaging. It was getting Federal permission to do so. Permission to give away food which was intended from the first to be given away. The city of Detroit did apply for a waiver and after several months the waiver was received. But you can imagine the frustration that we in the private sector felt. The private and corporate communities had raised hundreds of thousands of dollars to feed the hungry, the city had worked with dozens of volunteer agencies to see that the food was received and distributed and yet we were faced with regulations that kept food that was already here from the needy even though, as I said, it was practically sitting under their noses.

Detroit is not a city that rests easily with frustration. We submitted to the Department of Agriculture in December 1983 an innovative pilot project. Our proposal was direct and to the point. We asked the Federal Government to match each \$1 contribution in cash or food from the private sector for the hungry to an established city agency.

With a \$4 match in cash or surplus food from the storehouses of the USDA, it was simple. If the private sector comes up with \$1 to provide support, we asked the Federal Government to match that either in cash or in food, preferably food.

This proposal was submitted with the endorsement of the Michigan Department of Education which is the State agency handling the hunger problem, and they would serve as a facilitator.

Our goal was to expand the variety and quantity of foodstuffs distributed through the title II food package providers we sought as a means of insuring a more nutritional, more balanced diet for low-income citizens.

Needless to say, Congressman, we were disappointed when the Department of Agriculture's response turned down our proposal with no further discussion, and only a listing of the reasons why it couldn't be done under current regulations.

Congressman, we feel very strongly that a new commitment is needed and we look forward to working with you in any capacity as your subcommittee continues its investigation into this issue.

Thank you very much, sir.

[The prepared statement of Mr. Weatherston appears at the conclusion of the hearing.]

Mr. PANETTA. Thank you very much, Mr. Weatherston. I appreciate it.

Dr. Keith, you are sitting at the table but if you have any views to express, we would appreciate hearing.

Ms. KEITH. Congressman, I am just here to lend support in essence to what has already been said.

Mr. PANETTA. Thank you very much. I appreciate that. Let me ask a few questions if I might. Your testimony has been very good and very comprehensive and the facts are contained there.

What was declared here a few years ago was essentially an emergency crisis with regard to hunger and there was an immediate, I

take it an immediate need that suddenly was apparent to the mayor and to others at that time.

Today we are seeing a continuing need. I guess the concern I have is whether there continued to be immediate or new needs or are you seeing a chronic need for hunger relief that developed in the city here.

In other words, are you still meeting emergency needs or new needs or are we developing almost a chronic requirement in the city that has to be dealt with?

What are your views on that?

Ms. PARKER. I think, Congressman, for the most part, where there is a new need evidencing itself on a regular basis, for the most part we are looking now at chronic need. We have a consistent range of people on public assistance now, food stamp clients, in the neighborhood of about 300,000—330,000 in the city of Detroit.

And numbers seem to be fairly stable. In 1984, at the very worst point of the depression, it reached 426,000 at some points. We had a time when about 36 or 37 percent of the total population of this city was on public assistance. That is not true today. The numbers are closer to 30 percent, but whether that is because of revisions in the regulations or it is because of improvements in the economy, or a combination of both, we are not certain.

I suspect it is a combination of both and I suspect the problem is a chronic problem that we have to deal with now.

Obviously with 30 percent of the population in need, we also have 70 percent is not. But there are a number of levels to that and there are some people that are in a very marginal condition who are maybe walking the borderline between being reasonably well and being very desperately in need.

Mr. PANETTA. Mr. Weatherston.

Mr. WEATHERSTON. Congressman, it is a tragedy that we can talk about the people of our city that are in need, and declare that as no longer an emergency only because as an emergency it has lasted for 4 years and we have institutionalized it and it now becomes chronic. I think that is one of the tragedies of our system, is that we cannot maintain an emergency status for that long, even if the need, by any standards, is an emergency need.

Mr. PANETTA. The program that you suggested when—in 1983?

Mr. WEATHERSTON. Yes.

Mr. PANETTA [continuing]. To the Department was that for every \$1 that the city put up, that the Federal Government would either match that dollar or provide \$4 dollars of food? Is that—

Mr. WEATHERSTON. No; I am sorry, Congressman. Was for every \$1 that the private sector put forth either in terms of dollars or in terms of food, the equivalent would be matched on a 4 to 1 basis. But it was meant to be as an incentive for the private sector to continue to be involved in the program.

Mr. PANETTA. The programs that you have now, both from the private sector and the public sector, are they meeting the needs that are in the city today?

Ms. PARKER. No.

Mr. PANETTA. Do you have any idea how much of a need remains that is not being met?

Ms. PARKER. It is very hard to quantify. Most of our providers, and I am sure they will indicate this themselves when they have the opportunity, will tell you that if they had enough food they could continue serving meals. Especially toward the end of the month when food stamp allocations run out. And I think that is the critical period.

I think those of us that are involved with the commodity distribution program could tell you that if a wider range of variety of commodities were available, larger quantities, it could probably add more families to their role. And they provide now for in excess of 50,000 families and households a month.

So, it is not being met. The soup kitchens and the supplemental commodity distribution are stop-gap measures just like the pantries are. Most of the people who stand in line for cheese have to be means tested. Many of them are on food stamps. So it is not enough. And there is not enough balance in it. How much cheese can you eat?

Mr. PANETTA. Mr. Weatherston, is that your view?

Mr. WEATHERSTON. Yes, Congressman, it is.

Mr. PANETTA. Dr. Keith.

Ms. KEITH. Yes; we need to have a wider variety of nutritionally adequate foods, especially for the elderly and those who have health problems. The foods that are distributed are not adequate enough to give vegetables, fat, protein, the nutritional requirements, and that is one of the things that we should emphasize also.

Mr. PANETTA. Is your basic experience with those that are being served by these programs—are they families, are they elderly, are they handicapped, are there children involved, is it a little bit of all of those. I mean, do you see one sector of our society being impacted more than the others here in Detroit?

Ms. PARKER. Well, while it is true that we do have the elderly and traditional poor—I hate to use that word but—there are an increasing number of women and children, families and the population is not your traditionally indigent population any longer. It is a younger population as well.

People probably below the age of 35. Too many of them.

Mr. PANETTA. Mr. Miller, who is the head of OMB made the comment before one of the committees that the Federal Government has no responsibility for the homeless. That that is essentially a local and State responsibility. They have made comments in the nutritional area which reflect the same kind of attitude obviously. I guess the question I would have is, you have developed a very effective private sector response to it. Can that be adequate to meet the need that you are dealing with?

Ms. PARKER. It has not been adequate. I think any of us who can remember, for example, General Motors Care and Share was a national effort that went on all over the United States in 1983 and 1984. I am not sure whether or not it was continued in 1985. It was a national effort and it fed 200,000 people a 3-day supply of food.

These people have a chronic on-going need to eat. Three days, with all of the effort, and I am not minimizing General Motors effort—I am saying, look at the magnificent job they did and it barely put a dent in the problem.

In the southeastern Michigan area, those 200,000 people were just a percentage of those who needed help and those 200,000 people only received 3 days worth of help. That is one example. The other thing I might point to is that corporations need to have justification on an annual basis for the programs that they continue to support and I do not know of any other way to put this so I am going to apologize in advance to my corporate colleagues.

There are some corporations and some folk on the corporate giving committees who said that hunger just was not that hot of an issue. And did they really have to go through with it again. They did it in 1982, they did it in 1983, they did in 1984, but by 1985 they were tired of hearing about hunger. They had moved on to something else.

And I think that is true in the general population as well. It is not a philanthropic concern like the ballet. It is something that people need to live.

Mr. PANETTA. Is it fair to say that the reductions that are recommended in the President's budget, if adopted, would exacerbate the problems that you are facing?

Ms. PARKER. I think that would be a catastrophe. Exacerbate is an understatement. I do not know what we would do. It would be a catastrophe.

Mr. PANETTA. Thank you. Congressman Crockett.

Mr. CROCKETT. Yes; my question really is addressed to you, Mr. Weatherston, but the other panelists are at liberty to comment on it. I was sitting here thinking: Aren't we faced with a situation where the American people themselves, and certainly their Representatives in Congress, really do not know or refuse to admit the seriousness of the problem of domestic hunger? We are a rather proud people, certainly that is true here in Detroit. To the extent that we publicize the size of the hunger problem here in Detroit, we discourage new industry from coming into Detroit. To the extent that we publicize the extent of the hunger problem, and the unemployment problem here in Detroit, we also discourage new industry from coming in.

So the corporate sector is caught, I think, in that dilemma. That's the local situation. Nationally, we have all sorts of publicity about hunger in other countries. When the drought struck Africa, Congress immediately—I hate to use the term but it was appropriate—"railroaded" through the Foreign Affairs Committee authorizations of hundreds of millions of dollars to go to Ethiopia, to the Sudan, to other countries in Africa.

We are very freely giving aid to hungry people in other parts of the world. But at home we either close our eyes out of a sense of pride, afraid to broadcast our own difficulties here locally; or we just do not know the true extent of the problem.

Do you want to comment on that?

Mr. WEATHERSTON. Yes, Congressman, I would like to because it does point out the basic problem of institutionalized hunger in the United States and the political system that has evolved around that—the bureaucracy that has evolved around it.

The private community here in Detroit responded only when it became clear that the resources of the city and the State and the Federal Government, that the private community has always felt

were responsible for and who had assumed that responsibility for handling the hungry, could no longer do that. And in fact, we had immediate hungry people that would not be fed if the private community did not respond.

Therefore, the private community did respond. The problem with maintaining the type of publicity of a situation of 30 percent of the people here in the city that continue to need help that may not get it especially if the administration's way is made on that bill—the problem with advertising that to the corporate community is that the corporate community, out of more of a sense of frustration than anything else, has turned away from the problems of the bureaucracy, problems of the political in-fighting in Washington on this issue because the other issues are very strong and very, very immediate.

And as you know, sir, it is very important when you go to Washington that you do not have 42 issues, that at most you have 2 or 3 at any one time.

Mr. PANETTA. I would think tax reform would be at the top of the list.

Mr. WEATHERSTON. At the moment it is. At the moment it is, Congressman.

Part of our concern really is though, Congressman Crockett, that advertising the need is not the solution.

I think the corporate community could get behind a positive response, one that I would say is responsible, that looks toward a permanent solution and debate that on its national merit.

We are looking at a year-to-year basis and I realize it is a political necessity to grab from this pot and put in that pot, move back and forth. But looking from here, looking at Washington, and looking at the administration's programs particularly in this area, it seems to be a bunch of different programs, none of which fit into a whole pattern. It is just what could be had that year of that time.

I think if Congress truly addressed it on a national policy issue, brought this forward as a national debate then at that stage of the game the private sector would very actively become involved with that discussion and maybe move it out, for once out of the realm of committee work and into the realm of a national debate.

And I would certainly like to see that happen.

Mr. CROCKETT. Thank you, Mr. Chairman.

Mr. PANETTA. Thank you very much, Mr. Crockett. And thank you all for appearing and for your testimony. Again, it is encouraging to see the effects that are being made by both the city and private sector in trying to deal with this problem. But we understand that it simply is not enough to meet the need. Thank you.

The next panel is a group that represents social services and efforts by the community to deal with the problems. It would be Ms. Cassandra Smith Gray, who is director of Neighborhood Services Department, and Dr. John Waller, who is director of public health department, city of Detroit.

I think they will be accompanied by Candy Dubrowski, who is a client. Ms. Lillie Tabor, who is director of the Michigan Department of Social Services for Wayne County.

Father William Cunningham, who is director of Focus: HOPE, will be accompanied by Kathleen White and Ms. Bessie Weaver.

And Ms. Mary Ann Vandemark, who is director of Human Development Commission from Caro, MI.

So let us start with Ms. Smith Gray.

STATEMENT OF CASSANDRA E. SMITH GRAY, EXECUTIVE DIRECTOR, NEIGHBORHOOD SERVICES DEPARTMENT, CITY OF DETROIT

Ms. SMITH GRAY. Thank you, Congressman Panetta. I am Cassandra Smith Gray, director of the city of Detroit Neighborhood Services Department. The NSD, as it is euphemistically referred to, is the city of Detroit's Community Action Agency.

We as a department make a concerted effort to improve the life of Detroit's impoverished. We attempt to achieve the aforementioned using a multifaceted approach. The programs, however, most germane to today's discussions, are USDA Surplus Commodity Distribution Program, the Mayor's Emergency Food Program, and our role as a food stamp disbursing agency.

Since 1982, the Neighborhood Services Department has distributed title II USDA commodities. Principally, these commodities have included rice, flour, butter, dry milk, honey, cheese, and cornmeal.

Over the last 3½ years, we have distributed approximately 58 million pounds of USDA commodities to 1,159,200 individuals. The total poundage of commodities distributed was actually 16,608,498. It is of extreme importance to note that despite the staggering statistics, I assure you someone each month goes without commodities, because of the limited availability of product.

Basically, the city of Detroit assumes financial responsibility for commodity distribution. The cost of warehousing and distributing this volume of product is not substantially offset by the present reimbursement formula.

In 1985, we received \$298,318 in reimbursement for the handling of commodities, which translates to 59 cents per household per month, or 26 cents per individual serviced per month. Moreover, we were reimbursed at a rate of 2 cents per pound of distributed food.

From our perspective, the public's desire to participate in the USDA Commodity Distribution Program has not lessened. During the first quarter of the program year of 1986, an additional 14,139 households registered for the USDA Commodity Program.

This advances the total number of registered participants in the NSD Program to 62,623. In 1982, Mayor Coleman A. Young declared a state of hungry emergency, specifically relating to the plight of the poor and lack of nutritional meals.

To this end the mayor then established a telephone hotline as well as an Emergency Food Distribution Program to be administered by the neighborhood services department. This program has been extremely successful in meeting the needs of the community which otherwise would be unmet.

We service approximately 1,100 families or 2,500 persons each month, 30,000 persons yearly. The profile of this client is varied, some are food stamp recipients, others are without any means of nutritional support due to a variety of factors.

This program is supported in the main by the city of Detroit, a grant from the Michigan Department of Social Services, and private contributions. Since its inception, this program has served over 124,000 persons.

Our involvement with the USDA food stamps is trifold. First, as a client advocate we work with the local Wayne County Department of Social Services to expedite the application procedure, when possible, in the clients' behalf. Second, we, through special arrangement, purchase on a part-time basis, the services of a DSS social worker to specifically interview at our worksites or at the residence of our clients who we believe would be eligible for food stamps.

This is a convenience for our clients, particularly the senior citizens. Third, through an interagency agreement we disburse food stamps out of five of our offices throughout the city of Detroit.

During the program year 1985, our food stamp distribution total was 368,681 or an average of 30,723 persons served per month.

We have operated food programs now for several years, and frankly, based on current trends, as well as the recommended significant changes in social program funding and the lack of a sound employment program, we do not foresee in the near future any alleviation to the problem of hunger in our city or in the country at large.

For even as we speak, there are those who are cutting away at the last vestiges of hope of America's poor.

As is, the system does not meet even the basic human needs of its citizens, let alone permit even the slightest luxury.

Isn't it a sad commentary when processed cheese and dry milk become something to line up for, to fight for, to hoard. Is it not unfortunate when law-abiding citizens are given 42 cents per meal if you are a food stamp recipient where the absence of food stamps, the system directs you to soup kitchens while simultaneously, there are people in penitentiaries who are being clothed, boarded, and educated.

I ask, where is the equity?

As a part of our report, Congressman, last Thursday—a week ago Thursday, we distributed USDA commodities under title II program and in cooperation with Lita Done of Michigan Legal Services, we surveyed some 2,779 recipients in that program; 1,147 of those persons who agreed to participate were senior citizens; 832 of that 1,147 did not receive food stamps. They were not actively participants in the food stamp program, which represents 72 percent; 315 of those senior citizens were food stamp recipients or 28 percent. Of the remaining numbers, 354 were nonseniors; 132 did not receive food stamps, or 37 percent of the nonsenior group, and 222 did, however, receive food stamps, representing 63 percent; 278 of our clients clearly are in my age group and refused to indicate their age; 154 did not receive food stamps representing 45 percent, and 124 of the nonage indicators received food stamps, representing 55 percent.

We do have those surveys if you would like to take them with you.

Mr. PANETTA. Do you break down whether they in fact would qualify for those benefits?

Ms. SMITH GRAY. Yes, one of the questions on there is, are you—

Mr. PANETTA. Do you qualify?

Ms. SMITH GRAY. Yes. How much do you get if you are receiving food stamps and of course, that is astounding because the number of the seniors were receiving at the most, \$10 or \$11 a month.

Mr. PANETTA. Of the 832 who were seniors, were the 72 percent that were not receiving food stamps, do you know how many would qualify for food stamps?

Ms. SMITH GRAY. I do not know. I do not think Nida did that. We would have to go back through the surveys for that information.

Mr. PANETTA. OK.

Ms. SMITH GRAY. Thank you.

Mr. PANETTA. Thank you. Dr. Waller.

STATEMENT OF DR. JOHN B. WALLER, JR., DIRECTOR, PUBLIC HEALTH DEPARTMENT, CITY OF DETROIT

Dr. WALLER. Chairman Panetta and Congressman Crockett, I am John B. Waller, Jr., the public health director, city of Detroit. City of Detroit Public Health Department operates and monitors the mayor's Approved Soup Kitchen Program under the charitable institution agreement of the Michigan Department of Education.

The mayor has given the health department the responsibility for commodities certification, storage, inventory, and distribution to recipients of the program.

The health department began with service to 20 soup kitchens in January 1984. That year, 883,769 meals were served. In 1985, the city unemployment rate escalated and shelters for the homeless began to overflow.

During this same period, families who had lost homes and/or were out of work waiting for assistance began to frequent soup kitchens on a daily basis. Our kitchens in 1985 served over 900,000 meals, approximately 200,000 meals to children and 700,000 meals to adults.

The numbers continue to increase even though we are not receiving the quantity or the quality of food commodities we did in prior years. In 1984, we were receiving and distributing canned chicken, pork, beef, sweet potatoes, apple sauce, peaches, pears, and raisins. Beans, corn, and yes, salmon and tuna and even fresh frozen chickens were available along with the starch style commodities mentioned before.

When the program first began, we had 30 soup kitchen sites feeding the hungry. However, due to utility costs and the necessity for the sites to purchase food in order to make nutritious balanced meals, many kitchens were forced to discontinue feeding.

The current level of commodities received does not make for a complete balanced diet. The need for green and yellow vegetables, protein and meats are not being met at this time.

The hungry demand is so great that many churches and community centers and the staff which operate these kitchens are spending personal money to feed our hungry and keep their lights and gas on in these various soup kitchens and pantries.

I ask you, would you be able to prepare a balanced meal for your family without vegetables, protein and meats and fruits, et cetera.

Currently, we service 15 sites, down from 30 sites and receive commodities monthly from the USDA surplus commodities which is butter, cheese, macaroni, spaghetti, dry milk, shortening, peanut butter, rice, and honey.

Our nutrition division at the health department supplies innovative recipes for uses of these commodities but cheese, rice, butter, and dry milk can only be interchanged with macaroni and spaghetti and put to so many innovative uses.

After a period of time, our seniors could begin to develop problems or exacerbate existing problems on such diets.

Soup kitchens are reporting referrals for feeding from DSS social workers, NSD agents and other agencies. There was a period when the heaviest clientele was the middle and the last of the month because food stamps were available the first part of the month.

However, the caseload appears now to be constantly heavy regardless. Kitchen sites that elect to stay open after 3 o'clock also receive public school teenagers.

It is certainly clear that the demand for feeding our hungry is as great in Detroit now as it was in 1984 and 1985. But the food resources seem to be less in Detroit.

A greater variety of surplus commodities are needed to be made available in our city. And a review of the quality of the commodities and their effect on the health of recipients is needed.

We have asked the question, what has happened to the commodities such as canned vegetables, fruits, and meats that can be made available for our soup kitchen consumption.

As the demand for onsite soup kitchen food consumption has increased, why has the surplus food decreased? How are we to feed a population of hungry people a balanced healthy meal when we do not receive the proper food for distribution?

It is increasingly evident that the meal consumed at a soup kitchen is the only meal a hungry person gets in a 24- or 48-hour period. In light of this and the fact that increasing numbers of children, adolescents and the elderly people are presenting at soup kitchens, every attempt should be made to offer a balanced meal to prevent growth and developmental problems of youngsters, and to prevent the exacerbation of health problems in seniors.

Thank you.

Mr. PANETTA. Thank you very much, Mr. Waller. We are going to proceed through the entire panel and then we will have questions.

Ms. Lillie Tabor, who is director of the Michigan Department of Social Services. Ms. Tabor, welcome. Thank you for coming.

STATEMENT OF LILLIE M. TABOR, DIRECTOR, WAYNE COUNTY DEPARTMENT OF SOCIAL SERVICES, MICHIGAN STATE DEPARTMENT OF SOCIAL SERVICES

Ms. TABOR. Thank you, Chairman Panetta and Congressman Crockett, and thank you very much for your invitation to review the extent to which we are meeting the food and nutrition needs of

our population. They can be viewed as both an economic and a program issue.

Economically, the State of Michigan, certainly we all recognize, under Governor Blanchard's leadership, has made a remarkable comeback from the recession of the early 1980's. Our economy has continued to improve and more people are returning to work.

At the Federal level, the recently enacted farm bill and food stamp reauthorization bills not only preserved the vital Food Stamp Program but contained needed benefit improvements. Certainly chairman, you deserve a great deal of credit for leading and influencing the final legislative outcome. Michigan looks forward to enacting these major food stamp policy revisions in May. The restoration of the earned income deduction from 18 to 20 percent as well as the increases in the excess shelter and child care deduction will improve benefit levels to clients. We hope that raising the asset limit for nonelderly households will help qualify others.

While we are encouraged by these economic and programmatic improvements we must remember that people in lower income brackets have the least amount of flexibility in how their income is spent. Costs for basic need items such as shelter and utilities continue to rise. We know many households who receive food stamps use household income to meet food expenses not covered by their food stamp allotment. When this money must be used elsewhere, it cuts into the peoples' capability to have nutritious meals and results in greater reliance on the Food Stamp Program.

Without programs to help meet food needs, we can anticipate that many people would encounter serious health problems, as has been stated earlier. Even with the programs we have, certain health problems have arisen. For example, it was revealed that the infant mortality rate in Detroit was close to that in underprivileged countries. This is directly related to nutrition and prenatal care.

In a more positive vein, nearly 174,000 Wayne County households received food stamp benefits in January of this year. This figure is down from a monthly average of about 197,000 in 1984 and 184,000 in 1985. When we examine the dollar value of food stamps, the importance of this program to our community is even more obvious. Wayne County residents received over \$21 million a month in food stamp benefits during 1984. This declined to \$20.4 million in 1985 and was \$19.6 million in January 1986.

However, we continue to receive almost 12,000 applications a month at our district offices and even though over \$245 million was authorized in food stamps in Wayne County in the fiscal year 1985, this did not meet the total food needs of our county. Another \$1.6 million was allocated to us through the State Emergency Need Program for emergency food and shelter contracts. Private agencies in Wayne received another \$1.3 million in Federal Emergency Management Agency [FEMA] funds. Much of the money from these allocations went for food and food related services such as meals.

Focus: HOPE in Wayne, which is the largest distributor of food commodities distributed over 12 tons of commodity foods during 1985. Despite these efforts, we continue to see and hear accounts of lines of people waiting to receive a free meal or groceries at the various voluntary and private agencies in our area.

A report written by one of the members of the Gleaners Community Food Bank indicates that during the period of February-October 15, 1985, 91 agencies in southeastern Michigan served over 110,000 meals a week while another 63 agencies gave food commodity that is the equivalent of almost 57,000 meals a week. A directory published by the Department of Public Health lists over 115 separate emergency food agencies in Wayne County.

The average food stamp allotment per person per day in Wayne has been increased by 8 percent in the last 2 years to \$1.69. We cannot ignore the fact however that the current Federal Food Stamp Program does not fully meet the needs of the poor and that additional emergency funding from other sources has been utilized for food.

With the administration's recommendation to eliminate FEMA funding for emergency food and shelter next year and State emergency funds remaining constant, the Food Stamp Program will be the principal source of food help for our low income families.

When there is discussion about sanctioning States for high food stamp misissuance rates, we are understandably concerned as this would reduce the dollars critically needed by our residents. All of these factors make the role of the Federal Government even more important. We need to consider how we can increase the amount of income or benefits our low income citizens have to meet their nutritional needs. Emergency funding which by its nature relies on yearly reconsideration cannot continue to be looked to as a primary source of supplementing food needs. We need an ongoing commitment to an ongoing need. Thank you.

Mr. PANETTA. Thank you very much, Ms. Tabor. The next witness is Father Cunningham with Focus: HOPE.

**STATEMENT OF REV. WILLIAM T. CUNNINGHAM, EXECUTIVE
DIRECTOR, FOCUS: HOPE**

Reverend CUNNINGHAM. I do not want to scare you with all this paper up here, Congressman. I am not going to read any of it. In fact, I do not even have my own testimony here, you have it, so I am not going to read that back to you.

Mr. PANETTA. You cannot scare us with paperwork Father. [Laughter.]

Reverend CUNNINGHAM. I would like to say Congressman Panetta, to you, and to Congressman Crockett, it is just real good to have two fine men here who distinguish themselves for getting into a lot of trouble over their history on civil rights issues, both of you.

I think, fundamentally, while we are talking about hunger here today, in many instances we are really talking about human development. The right of people to be productive, and we are really talking about—well, we will call it now underclass. That is the buzz word now, underclass. It is really in most cases, minority folks.

And we zipped them off from the access to any of the opportunities of our society and now in many cases we are just saying we are not even going to feed the folks that we have been denying equal opportunities to education, to jobs and my God, this is a terrible thing to see.

So we are looking at our schools. They are not getting enough money, they are not doing their job for our kids. They are dropping out at terrible rates. We do not have jobs for good people. We cannot take care of our elderly and so we are down to the point, like a Third World country, we do not have the parched land, we do not have the condition of drought, but we don't have the wherewithal to feed our folks. At the same time up in the thumb here in Michigan, our good farmers are selling potatoes for 50 cents a hundredweight, and they are starving. So, there is a little madness here. And it is bipartisan.

There are good people on both sides of the aisle on this one. It is interesting to watch our two Senators Levin and Riegle, two good men, ganging up with Senator Dole and Senator Rudy Boschwitz, both of whom need these food programs in their own areas, and saying we have to do something here.

The enemy is not the Department of Agriculture. I am beginning to feel that they are almost our allies now. Looking at this guy, Miller, now you say, he is suggesting that the States do this out of their own resources.

Now, I am going to surprise you, Congressman Panetta, and I know Mr. Crockett will be surprised by this. I am going to go along with Mr. Miller. I think that is a great idea. Now on the exchange side of that, the State of Michigan will hold back 65 percent of our taxable income to do that job instead of putting it into the Defense Department.

So that will be our option. We will keep the money here so we can take care of business. Because the only people we have to worry about are the people in Windsor. We do not have any big defense problem here. [Laughter.]

So we will solve the problem that way. So it is an even trade. I think that we can go along with that. On the side of the inhumanity of this thing, we always hear about double dipping. That is an issue I did not talk about in my testimony, but I want to tell you, I am just amazed at how we get so frugal with the hungry. Here is a little woman with a little kid and she has food stamps, but now she cannot have the special formula for her little baby when the food was targeted because of a special nutritional need. So we are going to take away her food stamps and she is going to feed her baby. This is the eminent stupidity we are dealing with.

The double-dipping that we get accused of, I think the good people in this room and yourself should know, that we are looking at this very body, the Office of Management and Budget, double-dipping—purporting to double-dip next year by taking congressionally related moneys that you folks said are supposed to go to buy this food and forcing you to buy food that has already been bought with taxpayers money, under section 32—buying it twice.

Now, I do not know whether somebody has a big cottage somewhere, but what are they going to do with the food already appropriated for section 32 to buy the food from the farmers?

So we have something funny going on here in the bookkeeping or we have double-dipping. So we have to keep our eye on these good fellows over at OMB because I remember the Nixon years, and the beginning of the Jerry Ford years when they regulated Congress by

impounding moneys, by frustrating the will of the people and the legislative body. And that is exactly what I see going on now.

So, that is one thing. Another thing, I brought this along because this is terrible to see. I want you to see it. To my right is Mrs. Bertha Harden, and this good lady is—it is terrible to advertise things like this, I know. None of us like this, but Mrs. Harden is on a waiting list. She is one of the over 15,000 on this waiting list to get on the Food Program for the Elderly and she qualifies.

It is not a question of not having a need and not qualifying. It is just that there is no room. Now enter OMB. And here is what OMB says. To get on this list today—that is OK, Mrs. Harden—to get on this list today, somebody has to die on the old list.

See, so the next old person can—now if you were a part of the Focus: HOPE staff, see, you dial up the phone, you say, Mrs. so and so, or Mr. so and so, you can now get on the Food Program. There is room for you. Then you get a disconnect. Or somebody answers and says—

Mr. CROCKETT. How many names do you have on that list?

Reverend CUNNINGHAM. Just in excess of 15,000, Congressman Crockett, waiting to get on the list.

And I might say about 8,000 of them are in your district; that is terrible.

So you call up people and say, now you can get on—and you find out they are dead.

Now this is what OMB says. This is coming along with the double-dipping. They say, when somebody passes off the list—because they won a lottery or something, they got rich quick at the age of 82? If they pass off the list, that slot standing goes to the grave with them. You cannot fill it.

So they are saying we are not going to feed old people anymore. That is really what they are saying.

I wanted to bring that to your attention and I guess, in the main, I wanted to stress that bipartisan—it is good to watch a Congressman like Bill Broomfield. I do not think Mr. Broomfield would vote with us on anything, really, but here he comes, and on the program, because he has Pontiac out there next to Birmingham and Pontiac is hungry. So he joins our good friend, Congressman Bob Carr, and Mr. Broomfield together. See the people who know want to do the right thing.

My problem is with OMB and I guess the White House. I just do not think the good guys know, so somehow we have to get them to know. I do not think they are evil. I think they are dumb and I am scared of that. And that is all I have to say to you.

Thank you.

[The prepared statement of Father Cunningham appears at the conclusion of the hearing.]

Mr. PANETTA. Thank you very much, Father Cunningham. I appreciate your words.

Ms. Mary Ann Vandemark, who is director of the Human Development Commission, Caro. Welcome.

**STATEMENT OF MARY ANN VANDEMARK, EXECUTIVE DIRECTOR,
HUMAN DEVELOPMENT COMMISSION**

Ms. VANDEMARK. Thank you Chairman Panetta and Congressman Crockett for allowing me to share my views with you.

My name is Mary Ann Vandemark, I am the director of the Human Development Commission, a community action agency serving the thumb area of Michigan that Father so nicely related to. And I am here today to speak in regard to Federal domestic food assistance programs.

We began coordinating a four-county effort to combat hunger in 1981 by establishing a network of 25 emergency food pantries to cover 3,256 square miles; 11,655 individuals were served with emergency food, 10,236 individuals were served under the TEFAP Program in 1985, in a population of less than 200,000. The need is here. The dollars to operate the programs are not. FEMA is a prime example at 1.25 administrative cost.

We have been told there are no poor. We have been assured that none will fall through the cracks, that the truly needy will receive assistance. However, there are poor people and poor people are falling through ever widening cracks daily in our own backyards.

The laid-off husband with the wife and two children who has never asked for assistance before, the senior who receive the monthly food stamp award of \$15 and has a \$300 energy bill to pay with a \$325 Social Security check. Or the mother with two small children. The homeless, the hungry, the needy, public service announcements, charity concerts, documentaries appeal daily to our emotions, and sense of humanitarianism, persistence in relieving the hardships of those in South Africa, Nicaragua, El Salvador and other parts of the world. America responds, helping to make a difference in the struggles of those who are socially and economically disadvantaged.

This recognition and support is important and necessary, but what about those need in in our own backyard? How many of us realize how prevalent these same problems are in the rural areas of Michigan.

We are providing Emergency Food Assistance to over 1,000 person per month, and TFA, or the targeted—excuse me, the Commodity Food Distribution Program to over 12,000 individuals bi-monthly and continue to run out of food.

It is apparent that emergency efforts are not enough. There is a need for a monthly supplement.

The problem of hunger as testified to earlier is compounded by a wide variety of medical problems caused by malnutrition and/or poor nutrition. Increased medical costs and institutionalization are the prices we pay. In the thumb area alone, the WIC Program serves approximately 3,500 women, infants and children with an identified waiting list of several months.

A USDA Commodity Supplemental Food Program could assist clients on waiting list as well as assist households who have not requested but are in need of the services. This program is widely recognized as the most cost-effective measure in providing well-balanced nutritional foods to mothers, infants, and children.

For the cost of every one WIC participant, two USDA Commodity Food Program clients are served.

A high percentage of seniors who apply for food stamps receive very small awards—from \$10 to \$35. The senior has choices to make, paying bills or eating. Most pay their bills and go without.

A Food for Seniors Program is needed in the rural area. Congregate and home-delivered meals are available but reach only a small percentage. I might add, only one county of our four has any public transportation countywide. And in our four counties, for those persons 65 years or older, one out of every four is in poverty. For those who live alone, one out of three is in poverty.

With the Food for Seniors Program, seniors would be provided with basic nutrition foods to supplement their diet. Foods purchased through USDA are cost effective and nutritionally sound and would allow low-income seniors to prepare it in the privacy of their homes.

Because of the design of the USDA Commodities Supplemental Food Program for mothers, infants, children, and seniors, it is much more cost effective than other similar programs.

It allows people to retain dignity, pride, and to receive services they so desperately need. It allows freedom of choice when varieties are available. The problems are growing daily.

On behalf of the poor in the thumb area of Michigan, I would like to take this opportunity to thank the subcommittee for their attention and their concern and their past support. Michigan's poor is appreciative that the farm bill overturned the administrative policy to count LEHA payments as income when receiving food stamps.

Thank you.

[The prepared statement of Ms. Vandemark appears at the conclusion of the hearing.]

Mr. PANETTA. Thank you very much. Mrs. Harden and Mrs. White, I do not want to put you on the spot because you are accompanying other people who testified, but I would appreciate your circumstances. You are now on a waiting list, I take it, of 15,000 to receive food and I guess what I would be interested in is what is your present situation? What benefits do you receive and why do you feel you need this additional assistance at this time?

REMARKS OF BERTHA HARDEN, FOCUS: HOPE

Ms. HARDEN. Well, I am Bertha Harden and I have been on the waiting list, I think it's about 3 years.

Mr. PANETTA. Three years?

Ms. HARDEN. I worked 35 years here in Detroit. I did not know what the food program was until I got out of work—could not get nothing, so finally the lady up there, she give me a note to take down there on Livernois and Seven Mile.

Did not have a way of getting to the doctor. I said, well Lord, please look my way. And He looked my way. And the lady told me, she said, you take this note down there and you give it to her. I gave it to her. They gave me a bus card so that I could ride.

Now when you take it, you look at it like this. Well, now, yeah, I get \$392—just got that this year; \$392.

Mr. PANETTA. What is that from? The \$392?

Ms. HARDEN. What would you call it? I am 79 years old? [Laughter.]

Mr. PANETTA. Social Security. Is it Social Security?

Ms. HARDEN. That is right.

That is what I get. And when you pay your utility bills, go to the doctor, they cut my—what is it when you go to the doctor?

Mr. PANETTA. Medicaid.

Ms. HARDEN. Medicare.

Mr. PANETTA. Medicare.

Ms. HARDEN. Three years ago when I needed it most, they cut it off. So my doctor helped me out a lot. He really did. He tried to prescribe medicine not too high and he did his best to help me. But I said this, worked here. But I admit I was not making as much as they are making today. I slaved 35 long years at the Botsford Inn and the Clifford.

I go to people—they look at me like I was crazy. But when I go to them, I go to them when I need to go. I do not go there just because I can get this, because I cannot eat that cheese. I would not stand in line for that because God made a way for me before I got here in this world.

But I got to seek and find. So when you close one door, somebody going to open another for me. Because I made an honest living all of my life. I did not get out here and try to rip you off or do something like that. I tried to make a honest living and that was not much but whatever I got, I thank God for it.

I have been waiting 3 years trying to get on here. I cannot stand in line, I broke my foot. When you get 70 years old, you better do whatever you can now. Cause tomorrow is not promised to you.

You say, give me this day, not tomorrow cause tomorrow do not belong. I know people say, we will see what we can do. But tomorrow I may be gone. Then you say, Bertha is gone and you could have helped me and you did not.

I have suffered many a day trying to pay my notes. Many days trying to pay my utilities and still eat. But you know what, if you know God, He will help you with that battle. Somebody going to give you a helping hand.

Mr. PANETTA. Ms. Harden, do you receive any food stamps at the present time?

Ms. HARDEN. They give me food stamps, \$42, I think it is. Later on, they cut that to \$10 and I almost had to pay \$10 to go up there to get them.

But if you do not go and get them, then your worker, you go call her, she going give you a roundabout way—the man—I went up there to get the little food stamps and before I could get up there—what I did have somebody come by and snatched.

I called my worker when I got home. She said, well, I cannot do nothing until I talk to the supervisor. Well, I realize everybody got somebody over them and so when she talked to her supervisor, she said well, Ms. Harden, he said ain't nothing I can do. They took all my food stamps, everything I had.

I ain't got nothing. I cried, I cried, but that did not help. She said well, the best he can do is to give you \$1 a day. Do you hear me? I ain't got nothing. She is going to give me \$1 a day. I cannot go out

there and buy a box of crackers for \$1. But he did not give me that. I ain't got it yet.

Mr. PANETTA. Ms. Harden, for your meals on a day-to-day basis, what do you—

Ms. HARDEN. The doctor prescribed for me—I have to drink orange juice. And orange juice is too high. I have to sometimes put in water.

Mr. PANETTA. Thank you very much. I appreciate it.

Ms. HARDEN. Thank you.

Mr. PANETTA. Ms. White, are you currently being served by Focus: HOPE?

Ms. WHITE. Yes, I am.

Mr. PANETTA. Could you describe why you see their assistance?

REMARKS OF KATHLEEN WHITE, FOCUS: HOPE

Ms. WHITE. I applied for ADC last summer when my husband and I separated. I could not work because I had three small children and there is no way that I can. I am willing to work, but it is going to cost me as much to find a babysitter as it is to get back and forth to work.

So I applied for ADC—I was trying to, I guess, make it a little easier on my husband. He does pay—we are still establishing child support, but I thought it was kind of difficult for him to maintain two households and try to get by himself and work, so I applied for Focus: HOPE and they were very gracious—this is, I think, the second time I have had to have help.

They have been very good to me. I do not know what I would have done. I have a 15-month-old child and he needed formula and formula is very expensive. So, they have helped me tremendously. If I could not turn to them for help, then who do I go to.

ADC did not give me any help except to help support me which I am very grateful for and if one day I did win the lottery I would most certainly pay them back. But I get the runaround down there too—

Mr. PANETTA. Is there a lottery here in Michigan, too?

Ms. WHITE. Yes. I do not play it because I cannot afford to but I am hoping maybe I will find a ticket somewhere. [Laughter.]

Mr. PANETTA. We just started in California. There are ups and downs to that thing because I think that—

Ms. WHITE. Oh, most definitely.

Mr. PANETTA. Unfortunately, there is a reliance on a lottery to do what all citizens ought to be supporting—

Ms. WHITE. That is right.

Mr. PANETTA. Rather than having people gamble in order to support systems, I think it is a lousy way to do business.

Ms. WHITE. It sure is.

Mr. PANETTA. But anyway, having said that, your situation now in terms of—you have got two children, what are their ages?

Ms. WHITE. Three children. Ten, five, and fifteen months.

Mr. PANETTA. Ten, five, and fifteen months. You are living where—do you have—

Ms. WHITE. In Detroit.

Mr. PANETTA. How much do you pay for your housing?

Ms. WHITE. My house payment just went up—it's \$317 a month.

Mr. PANETTA. \$317 a month?

Ms. WHITE. I get \$101 every 2 weeks for supplies. I have resorted to cloth diapers because plastic is just out of the question. The children need shoes and clothes and I have been pinching pennies for as long as I can remember and I guess it is paying off, how to at least try to keep a budget.

Mr. PANETTA. Do you receive food stamps?

Ms. WHITE. Yes, I do. They just cut me back \$10—I think I get \$167 or \$169.

Mr. PANETTA. \$169?

Ms. WHITE. Yes, I believe that is what it is.

Mr. PANETTA. A month?

Ms. WHITE. Yes, and probably about \$30 of that is consumed in baby food.

Mr. PANETTA. So about \$30 is for baby food and the rest?

Ms. WHITE. For groceries. I try to—it is very difficult sometimes to shop monthly. You know, fresh fruit and vegetables I do not. I try to do that weekly, but frozen things and—

Mr. PANETTA. Could you describe the kind of meals you prepare each day?

Ms. WHITE. My children love macaroni and cheese, so I can get away with that every night of the week—

Mr. PANETTA. Lots of macaroni and cheese, yes.

Ms. WHITE. I try to give them a balanced meal because my boys are skinny, very skinny so I guess they must take after me. They are not real good eaters so I have to find things that they will eat. I have had trouble getting them to eat vegetables, so I try to give them something different. A different color vegetable every day because the baby—I gave him carrots for about a week and he did turn orange. He had orange skin.

I thought he had hepatitis which kind of scared me. They get meat, vegetables, potatoes or rice or macaroni, bread, and milk and I try to make sure they do drink the milk.

Mr. PANETTA. There is not much going in your overall diet or do you—

Ms. WHITE. Well, a lot of hamburger and hot dogs. Not very much steaks, but I will buy roasts and try to cut those up into at least three or four separate meals, which would have to be like a \$10 roast in order for me to get at least three to four meals out of that.

But I am learning—I am working on it so it has gotten a little easier, but I would like to apply to your sensitivity as to the children. Children who go to school on a hungry stomach cannot learn. If they have any food at all, it is—and if there is younger children at home, it is probably given to them first.

If these children do what they are supposed to be doing at school and learning and learn to read and write—they are the future of this country. There is not going to be anything left for my children when I am old and gray—there is—where are they going to be—are they going to be mindless or—so I—this is a very good program and the seniors, too.

We should be drawing wisdom and knowledge from these people not pushing them into corners and not even thinking about them.

After all, they do have children and—well, some of them—maybe some of them do not. But they have to be taken care of. We can learn from these people. If we would just sit down and talk to these older people. They went through a worse depression than what we are going through now and they made it and they are alive.

So we very definitely have to consider this program and think of these people because we have to start in our own backyard. We cannot go across the sea and—sure, those people need help too and I am all for helping them and if there was anything that I could give the, I would do, but we have to start right here at home. Right where it counts because if we do not raise the next generation up, there is not going to be anything left for us. We are going to be who knows where. We may be in a Communist state. Heaven forbid that but it is possible.

Mr. PANETTA. Thank you very much.

Ms. WHITE. Thank you.

Mr. PANETTA. No, I think the good father is right. Sometimes we forget that a very important part of our national security is taking care of our people and that you can build all of the weapons you want but if you aren't taking care of your society and the needs in that society, you are not going to be very strong.

Let me ask all of you to make some general comments, if you could. What I am interested in is in the situation, let us say over the last 4 years, what you are seeing today. Has the situation stabilized? Are you seeing new people coming on in terms of this need for—for nutrition? Are the numbers still on a steady increase? Has that leveled off?

I would like to have your comments on whether you are seeing a chronic problem as opposed to a continuing new problem with new families. And I would also like you to comment on, if from the Federal level, what is the most important program that you deal with and are there suggestions for improvement on that program? What are the biggest problems you run into? And I guess I just want you to focus, if you could.

I know your testimony addresses some of those questions, but I would just like to get some quick focus on those thoughts. Ms. Gray.

Ms. SMITH GRAY. Basically, we are seeing, in two of the programs we operate, the Emergency Food Box Program as well as the Commodity Program and food stamps, we see basically the same people because very frankly, there is not enough of any of them to substantiate the person for an entire month.

So food stamp recipients are also people we see on an emergency basis at the end of the month to get a supply of food and they certainly are the people we see on the last Thursday in the month because they have exhausted both the food we gave as well as their food stamps.

The number fluctuates just a bit. It is fairly stable now but what happens is, every time there is a decrease or revamping of the Food Stamp Program, we see an influx of people, particularly senior citizens whom we have not seen before.

I feel it incumbent upon me to say title II foods are remarkable. They are foods that certainly are in surplus and that has got to be one of the few reasons they are given out because they are not nu-

tritional. Any person who suffers from any sodium related problem really should not partake and be a part of the program. If you are hypertensive, the last thing you need is processed cheese or any of the other products that have been dried and treated with salt.

About a year ago, region 9—Congressman, I think that is your region, USDA region 9—Federal region 9 sent notification out to various States indicating that the honey being distributed nationally was not to be given to infants under 1 year of age.

The reason being, there was a spore present and is present in honey which cannot be baked out, boiled out—it cannot be killed. And there were four cases of infant botulism in region 9. Though they did not result in death, certainly, I mean, no mother—I am a mother, I cannot imagine my child being desperately ill at 9 months old, especially from something that could be prevented.

I mean something could be substituted for the honey. The Government, USDA did not take an active role to pull back honey. Did not really take an active role in requesting that States establish some strong notification. It was generally left up to whatever anyone wanted to do throughout the Nation.

The products are not really desirable products. We are glad to have them but we do not get them in sufficient quantities and they are not basically things you can do anything with.

Where Mary Ann, who is a colleague of mine, lives, if you get the cornmeal you make mush. It is a big item in the slums in upper Michigan. If you live in Detroit, you use cornmeal to make cornbread but nobody gives you the eggs and the milk to make the bread.

We fry fish using cornmeal but nobody gives us any fish despite the fact that title I had at its arms length, these various items. Something has to be done to revamp what is being given, what quantities are being given, and the general method of uniform distribution throughout the Nation with the ability by the distributors to hand out the product with some dignity.

You cannot hand out products with a great deal of dignity when, in fact, you are getting 2 cents to hand out each pound of that product. But we do see the numbers fluctuate and yes, people get jobs but depending on the kind of job they get, we see them again in winter for—in terms of participating in the program.

We are unique because we do operate three separate kinds.

The seniors, a great number of seniors do not want to participate in the Food Stamp Program. Commodities do not represent—free food does not represent DSS and the stigma attached with hand-outs. So we have to persuade a good number of senior citizens to apply for food stamps. Yet the people who are first in line to get commodities are senior citizens.

Mr. PANETTA. You are saying that it is more acceptable in the distribution of commodities than to go on food stamps—

Ms. SMITH GRAY. No question. I know father does, I know Mary Ann does—we package it differently. We put it in bags. Nobody really knows what you are going with.

Mr. PANETTA. I see.

So you take away from the appearance that it is somehow public dependence.

Ms. SMITH GRAY. And Mrs. Tabor would substantiate to apply—and I cannot believe it differs much throughout the country—to apply for DSS in the State of Michigan, it is a 28-page form. Am I correct? Nearly that.

The same questions are asked several times to make sure that you are not lying. Up until recently and with your help, I mean if you are a senior—father will understand if I say, the good Catholic I believe we kind of live to die because we hope things are better. Seniors do that. And to that end, they have burial funds and of course, their rate if, in fact, you apply for aid, because you have got to give it up if you cannot have it and it is not that you want to buy a fur coat with it. You simply want to have a nice burial so your family can come and see you put away well.

So there are all kinds of stigmas attached to the Social Service System throughout the country and to that end—yes, we have a lot of seniors who do not want to participate but will participate in other programs.

Mr. PANETTA. Yes, the priest used to teach us too that there was no hunger in Heaven.

Ms. SMITH GRAY. I am hoping not. My priest teaches that, too. [Laughter.]

Mr. PANETTA. Dr. Waller, could you just comment on that question.

Dr. WALLER. Very briefly, there is no question that we have a pool of individuals who are chronically hungry and dependent upon the various systems of soup kitchens, pantries, commodities distribution, et cetera, in order to eat to satisfy their hunger with no other alternative.

And this is a group of people who we are beginning to refer to more and more as Father Cunningham says, as an underclass and that underclass is not only growing but becoming permanent, unfortunately, in the minds of many because as you slip into that permanent underclass, you are losing all hope of ever aspiring to any of the things that most of us in this room aspire to, or improving your own lot in any way.

Because those things that will allow that improvement are no longer available to you and you have dropped out. And then, in a short time, you no longer share the broader social values and morals of the society and begin deviant behavior and it just spirals and spirals.

But they are hungry, they do not have places to eat, to live, and resources to support even the day to day existence that they—they seek to support themselves. And it is a nonfuture oriented underclass. They look at the future in minutes and hours and sometimes in days but very seldom in weeks and months and never in years.

Mr. PANETTA. Good point.

Dr. WALLER. The other portion of our population are those that are marginal and slip into need for food because, again, they are hungry and because of some circumstances that has recently happened and they still have hope of redressing that condition and getting back to some similar self-dependency. For instance, a lot of the children and mothers who we see in soup kitchens are victims of spouse abuse. Victims where the man of the house just walked away and left a woman and children without any support at all.

We see seniors that unfortunately have given—or fortunately have given much of themselves in their productive life to all of us and their children and we walk away from them and their children walk away from them, in many cases because we force their children to walk away from them because of our own rules and regulations that will not allow them to support. And they become hungry.

While they try to maintain their dignity, while they try to maintain some symbolism of a quality of life and make sacrifices and choices every day about utility bills, apartment or house notes, transportation costs, gifts to the granddaughter, any little thing like that. And amongst that has to be food. Oftentimes the sacrifice is food and when you do not eat, you get hungry.

And they will show up, and dependent on their situation, in some of the programs that we have in the city of Detroit. So the numbers vary, it is fairly stable, they have decreased, but in terms of the total numbers from the crisis point, but as the earlier testimony said, 30 percent of our population is still very dependent.

And I would imagine that half or more of that is in a permanent state of need and the rest is, a sort of a turning—turnstyle kind of need that we are trying to support.

The health department also deals with nutrition, not totally supported out of the USDA funds but you know, the WICK Program and the Food and Friendship Programs and Foods for the Home Bound Elderly, which also helps to respond to the hungry in our city. But the numbers are there—and there are many, and you will probably hear testimony later on that—manage to eat but eat insufficiently and we see the exacerbation of disease.

Many of our elderly—if you live long enough—and most of us are living longer and longer, you will have some condition that will slow you up a little bit and many of our people have diabetes, hypertension, arthritis, or some other chronic condition who, in order to maintain an existence, require a healthy diet.

I myself am diabetic and overweight, unfortunately, and when I attempt to do what is correct I find myself expending a lot more money than when I decide to just do what I want to do. So to have a correct and balanced diet is more costly than just eating to fulfill hunger.

Mr. PANETTA. Thank you. Do any of the others wish to comment on that, Ms. Tabor.

Ms. TABOR. I certainly would concur with this whole issue of the percentage of our population who are chronic but I also do not want us to overlook this group of what we call the new poor. Somewhere along the way people are indicating that that new poor group was only with us for a short while and they are returning.

I want to say here they are not all returning. They are very anxious people and they are people who are going to be left there with education but not educated to meet the new needs that we have in this country and this particular area.

Another group of people that we keep overlooking who are still moving into and going over to Father Cunningham's and any place else are people who are wandering. People who are leaving various other cities, States and all. They are middle-aged people, they are

older people, they are not all children who are running away. They are in our shelters.

They are the people too who—that we are seeing after they have been here for awhile. In spite of the fact that we recognize that our case load throughout the State of Michigan decreased, the case load in this county has not sufficiently.

I would like to make a suggestion or recommendation for the future. While we have identified—we continue in this country to look at problems—problems in the sense that this is a piece and this is a problem and we need to do this to patch.

We have a patchwork system. I think it has been indicated here, based on what I have heard from certain people and certain people who have applied to our system. We need to begin in this country to look at one, we know where the problems are. We know we have got problems. But we also are smart enough to begin, it seems to me, to look at total needs for people.

And to pool together the programs in such a way to determine how much of that need we are going to meet. I think while you probe this piece we have been talking about here today, it is very very important—no questions about it—we have got to look at that. But it has got to be looked at in the total context of developing programs for the people of this Country who need them.

Mr. PANETTA. Yes; I think that is a very good point and that is one of the problems we have run into in a number of areas, which is that sometimes a person in need has to go to one place for SSI benefits, has to go to another place to get food stamps, has to go someplace else to get health benefits, has to go somewhere else to fill out another 28 page form to get another document.

And obviously, if a person is in need and meets the basic qualifications in one program, there is no reason why we cannot use that as a base qualification form for other programs.

So we tried to move in that direction in the farm bill by taking those who qualify for SSI and say they automatically qualify for food stamps because the two really do relate.

I would like to take that even further this year by looking at all of the programs and seeing if we cannot develop some kind of comprehensive qualification list so that those that qualify for one can meet the other requirements and therefore we can have kind of one-stop shopping in terms of dealing with those needs.

I think that would really help try to eliminate some of the bureaucracy that is attached to a lot of these programs. Father.

Reverend CUNNINGHAM. Just a short observation on those good comments. I do not think in history there has ever been a Nation of greater wealth or opportunity that has had so many desperate young people, so many hopeless young people.

That rife, and J. Waller said there about youngsters and people generally looking from hour to hour, day to day, rarely from year to year, was so beautifully said. Desperation is a part of this culture, the hungry and it goes beyond the hunger. It is a failure to address people as human beings, to address their desire to be somebody.

We talk about having—allowing people—inspiring people to be productive. That is nice. I think that is important, but we have got

to look at folks whose desperation is so entrenched that there really is nothing in this world for them.

And when we look at the tissue of morality being ripped up all over the place, whether it is murder, violent crimes, all of this—and I know this is going to be seen as a cheap sociological observation, but when you take away people's hope why should people be respectful of law.

I think one good Senator who is a law and order guy, who gets up on your turf there in Washington, gets huge amounts of money for his people to grow a crop that is not food, pays another great part of our Government huge amounts of money to direct the country that the food—that the crop this guy grows is poison and will give him cancer.

And people look at that and they say, my God, and if the President is honest and if Congress is honest and really wanting to have a balanced budget, what insanity is it when we pay this guy to support tobacco growth and then to go through all of this stuff to tell people not to use what we are paying him with the Government to grow.

It is that kind of thing that adds to the desperation because it adds to the frustration. The final thing is—you ask about the chronic thing. There is a chronic nature to this on the bad side. On the worse side because of the long-term chronic situation and the fine tuning of the restrictive budgetary moves, we are finding this group of the elderly, whom in our older days we used to love, cherish and take care of and now we are forcing people to disown our own elderly, see.

So we have a whole new group of people that we have to concern ourselves with, the elderly. We have not even begun to take care of the elderly in this country who are in great need. So that is not part of the chronic group—we have not even started with that and that is getting worse because of the other thing.

So what I am showing you is a picture where, when we start grabbing the thing over here and—and getting it well-defined and well-tuning it, we are forgetting about all of the other parts that are interconnected with it. And now a whole new area of human agony opens up and that is why we need the bigger picture that was discussed—and we need a morality. We need to establish a morality.

I do not know if you can talk about a budget balance without talking about it contextually in terms of morality, and priority comes out of morality. It does not come out of some guys pet agenda. Priority has got to come out of morality.

So when you ask yourself these old questions about do we build more bombs or feed people, as Congressman Crockett said, that is not just rhetoric. That is a question of, what do we do, are we going to feed our old people or are we going to call this Nation's defense a priority.

I am a loyalist, you know that. I am a great patriot—I have a flag in my office. I love this country—I have my lover's quarrel with it like Frost and the rest of the good folks, but there is a point when we have to observe whether at some time or other, what we have done here is really defensible anymore. And we are getting

kind of close there, see. And I would like us to address that in Congress.

Thank you.

Mr. PANETTA. Ms. Vandemark. You come from an area that is relatively well-off, I guess, economically, and yet you still have a problem of hunger up there. Is that correct?

Ms. VANDEMARK. That is correct. The four-county area, the average median income is very low. We have very few farmers that are the large farmers anymore. The small farmers are slowly disappearing. The primary agricultural crops, of course, are navy beans and sugar beets and some dairy, but the value of those products compared to the prices of planting those products in the ground is that the small farmer is slowly disappearing from the scene of Michigan.

And it is ironic, when I conversed with Cassandra or Father Cunningham in our discussions of hunger, it does not seem that hunger ought to appear in the Thumb, but it is there. We have many seniors and again, we have many people who have lived a way of life that that life is changing and they do not know where to go. So I guess I need to say, not only do we have some of the chronic, and as Cassandra indicated, they change with the food stamp changes when they come in. We are adding a new poor in our area—a very definitely new poor.

Again, in the Thumb area, not only is the new poor a farmer but you look at women in the Thumb area—there are no colleges in the Thumb area. The closest being Saginaw Valley which in some cases is probably 115 miles away, one way, for a person to make that trip.

So opportunities for women are just nonexistent. I have nothing more to add except I would support again, Ms. Tabor in that peoples' frustration level gets very, very high when they have to be sent from one place to another to another, especially if you are covering 3,000 square miles and no public transportation and 15 independent telephone companies.

Mr. PANETTA. Congressman Crockett.

Mr. CROCKETT. Thank you, Mr. Chairman. I was just sitting here wishing that we had Republican members of the committee present. Maybe they would not be so reluctant to discuss the politics of this whole question.

I do not think anyone has said anything here this morning, and I do not think we have heard anything this morning, that we did not know about.

We have not heard of a single problem that could not be solved by more money. Now I think that is the burden of what everybody has been saying. Father Cunningham made the remark, or raised the question, whether or not we have and I quote, "The wherewithal to do the job." There is no question that we have the wherewithal and notwithstanding our budget deficits we are still the wealthiest Nation on Earth.

I vote consistently against foreign aid, and I do it not because of a hardness of heart, but because I think charity begins at home. Our committee last year voted something like \$13 billion to literally give away in foreign aid, while this terrific hunger problem, nu-

trition problem that we are talking about right here in Detroit continues to exist.

The President just sent a request for \$100 million to be given to the Contras in Nicaragua. Fortunately, as of now the committee has turned it down but I would not bet that it is going to happen on the floor.

But think what just that \$100 million would do as far as this question is concerned. The final point I make is, how long do the poor of this country have to suffer before they take the situation in their own hands? I think eventually that is going to have to happen, but how long is eventually?

The basic theory of Government is that the people in this country have the power to solve all of their problems and we give them a chance to do it, as far as the House of Representatives is concerned, every 2 years. Every 4 years, they have the chance to choose a President.

How do we explain the fact then, that each one of these programs we have been talking about here this morning was on the books prior to 1980? Every year since 1980 each one of these programs has been cut. And yet, the people go to the polls and re-elect the same administration that has done all of this damage we are talking about here this morning.

Father, how do you explain it? The Bible says we have the poor with us always. Does that explain it?

Mr. PANETTA. We brought you here, Congressman, to answer the questions. You are turning this thing around on us. [Laughter.]

Mr. CROCKETT. Thank you, Mr. Chairman.

Mr. PANETTA. Thank you, Congressman Crockett. Along the lines of what you just mentioned with regard to aid in Nicaragua—one of the interesting things is that the GAO, Government Accounting Office has indicated that they cannot tell us where the \$27 million that was provided last year actually went. I am here to tell that if we had \$27 million in nutrition money that I could not account for or the GAO could not account for as to where it went, you can bet your life that that would be cut within the next few hours both by—not only by the administration but by the Congress as well.

So it is really a double standard not to require the same kind of accounting for taxpayers funds no matter what programs they go to.

Let me thank you all. This has been very helpful and I appreciate all of you taking the time to do this.

Ms. Gray, I also want to thank Nida Dona, I believe, for the hundreds of petitions that have been brought in and that will be helpful to us in terms of looking at the overall program.

And thank all of you again. I appreciate it.

Panel 3 will be Ms. Shirley Powell, who is the Secretary of the Food and Nutrition Advisory Commission for the Michigan Department of Public Health. Rev. Ann Johnson of St. John's Community Center from Detroit, and Rev. Edwin Rowe, who is with the Cass Community Methodist Church.

Let me state for the benefit of everyone who has testified that your prepared statement will be made a part of the record, if you summarized. We appreciate you summarizing your testimony so we

can maintain a time schedule, and we would appreciate your summarizing when you can.

We will also keep the record open for others who wish to comment on the subject that is before us today. We generally keep the record open for 10 days.

There are a number of others and I will mention those names when we are through that have indicated an interest in doing that. I just want to invite the public generally that you are free to provide testimony to us in writing which will be part of the record.

Congressman Crockett has to make a flight to New York City and I appreciate him coming and joining me today. I will be happy to start with you, Reverend Rowe, if that is possible.

**STATEMENT OF REV. EDWIN A. ROWE, PASTOR, CASS
COMMUNITY UNITED METHODIST CHURCH, DETROIT, MI**

Reverend ROWE. Thank you, Mr. Chairman.

It is very clear to me that I am among friends. Also, I am always glad to be in the presence of George Crockett. The area in which I am talking about is in his district and he may be one of the few rich things that community owns.

It is refreshing to me to believe that we can still elect people like George Crockett—it really is.

One of the things, though, that I am not so happy about is that I do not feel like I ought to be here. I come here kind of sad at the moment because I know the folks from welfare rights have left angry, which is one of the reasons you had to quiet the crowd. There are people who have spent long years on welfare who would rather be here speaking to you instead of me, and I have not been on welfare.

I come here kind of with fear and trembling and realizing there are certain paradoxes in me speaking for poor people. I am sure you realize them too.

What happens that you may not know about because there is an awful lot that you do not know and George Crockett just told us we had not heard anything now. But what you may not know about is that there is an area in the world called Cass corridor. And that corridor is important not because of its size, 10 blocks long by 5 blocks wide, but it is important because it is a symbol of poverty. And it is the symbol of the results of poverty.

That symbol is decorated like a Christmas tree and it is decorated with 32 social agencies that other communities did not want, it is decorated with blood banks where you sell your blood to buy food. I believe that most people there, unlike the rumors, are in fact buying food with the \$10 they get.

I also believe that we have a community where people go even when they are new poor to find soup because they are embarrassed to go next door. It is all right to go the corridor for soup, it is all

right to stand in line in the corridor because you can do it anonymously.

But you cannot stand in Royal Oak in a line without being known by your neighbors. So, if you are old poor or new poor, you may well come to the corridor. I am not sure that is bad except it leaves a community with the responsibility of lifting the burden of poverty in a way that other communities cannot or will not do.

Those kind of Cass corridors are all over the place. It is very funny because we kind of intentionally create them and then they become an embarrassment to us. So we have the past president of Wayne State University standing up and saying the mayor and I are going to clear the corridor. And that is—and they have been very successful.

We have lost 50 percent of our housing stock in the last 15 years. If you let buildings go and you do not support with block grant money and we are told now that Gramm-Rudman will mean a 31-percent cut in the block grant money.

If you do not support landlords that are trying to do something, they will leave. Ones will remain that do not care if people have heat or hot water. The building will be trashed, eventually burned. You do not even have to bring out any bulldozers. All you have to do is wait. Pretty soon you will have more land than they have in the corn belts right there in the Cass corridor with weeds.

I think we create embarrassing communities and then we make poor people apologize for embarrassing us. The corridor had 20,000 people in it in 1970. It has 12,000 people in it in 1980. It is losing 1,000 people a year. Where are the people going. We are creating another Cass corridor somewhere else.

But we discovered after years of not needing that particular hunk of land that now we need it. We do not like driving in quite as much as we used to. We might like to have a townhouse somewhere in town. So now it is stated, you and I want our community back, because it is now profitable to want it.

And the people who are disposable before are disposable again. Now that is not directly related to food but it is directly related to food. You see, all of the resources that we could be using to serve that community—and we take community resources away from the poor so they cannot fight back, and we keep angry poor from sitting at tables like this because they also make us uncomfortable.

The money is being shifted to Poletown industrial parks and to the glass and steel on the riverfront and the really ironic thing about that is that is the same money that elected people for whom we would never vote.

That money is determining our urban policy. It is the same money that elected Ronald Reagan, for which you may not be able to get one vote in this room but their urban policy is being determined by that same money. And I would conjecture that so is our food policy.

So in the major ZIP Code area for the corridor 48 percent of our brothers and sisters live below the poverty line and of course, we do not count the homeless. I mean how can we, they do not have an address. And 40 percent of our children live below the poverty line.

Now, if 50 to 60 percent of the people in Detroit are on transfer payments, which has been the figures that I have heard, then you would think it would have to be much greater in the corridor. but I do not see how it could be.

Because every day I walk through groups of people, I hear of people who are not on anything. They are on soup kitchens and they are on blood banks. So, if 50 to 60 percent of our city are on transfer payments, how many can there be left to be in the corridor on transfer payments or on nothing?

At the Cass Community United Methodist Church, our brothers and sisters line up at 7 in the morning for breakfast and the lines get longer and our resources evaporate. We used to have some private charity FEMA dollars that fed people a hot breakfast. We put that into operation especially because we believed that we would have more and more children coming to that as the hot breakfast programs in our schools disintegrated.

What has happened, of course, is that more and more people have come to breakfast and we have less and less money to buy breakfast with. We have borrowed money from other sources of money and FEMA money and church money that bought packaged food for people.

So in order to have a hot breakfast, we reduced the number of packages we are putting out the door and those lines are also increasing.

We do not make people stand in lines. Perhaps one of the most important meetings that our church ever had was the meeting in which they decided to put people in the sanctuary and not on the sidewalk because that is what sanctuaries are.

But the vast majority of people are not in sanctuaries. And even if they are, they should not have to be there. And it is just the beginning. One of the corrections in my testimony is on page 3 where it says in 1983, 1984, 1,638 package food meals—that should be per week—were placed into the hands of hungry people. And 1985, 1986, that is going to be reduced to 588. When you get done with all of the math, there is 52,000 less meals out there placed in the hands of folks. More people, less resources. Two hundred individuals come into our facility and too many of them into my office and they give me the privilege of explaining to them why their poverty and their hunger is less important than those who were first. Now survival of the fittest works a lot better if you do not have to look into the eyes of the unfed. It works a lot better.

But there is absolutely no reason you fed the person who got there at 12 and you did not feed the person who got there at 3. If you are real concerned, it is not numbers but hunger. And you lead the people on the frontlines and you suck the church into a system that destroys people's spirits and contradicts its very reason for being there.

And so, this contradiction is with me sitting at this table. This contradiction is with me handing out food. This contradiction is with what happens to people when you hand out food.

Last week we began our own Home Delivery Meals Program to seniors. It was a modest program and we did it because we have a Senior Citizen Outreach Program at Cass and more and more

people that were referred to them by hospital had some degree of malnutrition responsible for their illness.

More and more people that we were taking out of their homes—and our goal is to keep people as independent as long as possible—and ended up in the hospital, had malnutrition as part of the reason they were there.

We discovered that people were on this waiting list for home-delivered meals and the figures go from 1,000 to 1,500, but at any rate there is no room for them on the home-delivered meals list.

So, through some money from Detroit AAA we were told, and we matched it with Skuman money, that we could deliver some of our own meals. And so we did. The first day, before we had delivered one meal, the Detroit Area Agency on Aging called and said, I am sorry, but we are going to have to reduce our half. There has been a budget cut.

And by the way, when Gramm-Rudman began to take effect, expect more reductions. So we are already out hustling for money to keep 30 meals going to senior citizens in the corridor. It has already been cut before we delivered one meal.

Now, when my driver came back from the second day of delivering—and this may be the most important thing that we are doing here—he said to me, Reverend, this job is too hard. I could not figure out why delivering 30 meals would be too hard. Then he started explaining what happens. He cannot get into the buildings because people are walled up inside of them and because people can hardly make it to the door.

Then when he gets into the hall and he starts walking down the hall with this hot meal, other doors start opening. There is a guy in a walker following you. There is a lady with a cane. And then there is a lady across from the person you are feeding who is blind. They are asking you for food. By the time you end up delivering this one meal, you have the makings of a horror movie, if you could just find a director. Can you imagine this guy, walking down the hall with this meal with all these folks on canes and walkers after him asking for food.

I mean, that is something that unless we feel that we are never going to change what we are doing, we are never going to change what we are doing. So after 2 days of delivering meals, he says, Reverend, this job is too hard. And I know exactly what he means. But I do not know how to make it too hard and how to make the pens of legislature too heavy to put us in that kind of inhuman situation.

We have horror stories in every building in the corridor that would make movies that would scare our children to death. Most seniors in the corridor receive \$383 in Social Security and pay approximately \$200 a month in rent and they receive \$10 in food stamps. Now, we call that \$10 a supplement. But what does it supplement. It supplements soup kitchens. It supplements hot breakfast at Cass Methodist Church. It supplements commodity food lines. It does not supplement something that is solid or that anybody could actually expect to live on.

And most people who stand in line for commodity foods do not stand in pilot projects that look like grocery stores and they do not have the kind of choices like the choices you are going to see that

people have when you visit Focus: HOPE. As beautiful as that is, most people stand in lines ankle deep in snow, afraid to stand in those lines because they have been beaten up before and will be beaten up again.

So either they do not stand in line or they stand in the back and they let everybody else go first, and we dehumanize people. In the effort of making them survive, we kill the inside of them. And then we wonder why we have people who do not care. People who do not care about the country, people who do not care about the system, people who do not care about the church. And every time we dutifully as churches do exactly as Ronald Reagan told us to do, which is go do what the Government will no longer do, we get identified with that dehumanization. We get identified with that killing of the spirit.

Now one of the questions that I have never been able to answer is why when we had a food program called food stamps that worked, did we decide to systematically dismantle it. Take it apart and kill it.

You know the Field Foundation among others, told us undoubtedly that we had commodity foods in the 1960's. And people were malnourished all over this country and we instituted the Food Stamp Program and when we went back to look at that in a 10 year study, 'lo and behold we had made a real impact on malnutrition and we had made a difference and we had a program that worked. Maybe one of the few programs of assistance that ever worked. And what did we do about that? We systematically took it apart.

So now we have to ask ourselves, how is it that we cut programs. Do we cut programs on the basis of success or do we cut programs on the basis of power? And because poor people who follow you down the halls do not vote very often and because they do not have connections and they certainly do not have money, the success of their program has nothing to do with whether or not we are willing to keep it.

And we substitute in its place, a program, the only criteria of which was what commodities we could take off the market that were politically expedient this year and nobody gave one thought to whether people actually needed that food but whether the market needed them to take it off.

So we substitute something that has no response to peoples' needs for something that did respond to peoples' needs and does, in fact, work.

Now, it seems to me that every time I think about that I think about this guy in this walker coming down the hall after me saying, how about some food. I plead with you. I guess I plead with you just like the blind lady pleaded with Charlie.

It just is not OK to say well I cannot get enough votes for the Food Stamp Program, Reverend Rowe. So I gotta do what I can do. Because what we are doing, you see, may be keeping people's stomachs filled but it is keeping them filled in the midst of signs that say, now do not eat too much of this if you are on a low-sodium diet.

It is keeping them filled with money that our children should not be eating. It is keeping them quiet perhaps but it is dehumanizing

and killing people. And it is not good enough. It is absolutely not a substitute. It is not a feeding program. It is a political program of price supports that we are pretending to feed people with. And I beg you, I beg you, not to trade it for a program that humanizes people. That allows them to stand in the same food lines you and I stand in, buy the same junk food you and I buy, and feed their kids with integrity on their own tables, making some choices about what they eat.

I do not know anything more intimate than feeding people. I do not know anything more intimate than eating together. But we have separated people off and the last straw is we do not let them eat with us anymore. And when they do eat, we decide what they eat.

Now this Bible here is not here because I carry Bibles around. It is here because it belongs to the lady whose funeral I am doing this afternoon who I took meals to that I was not supposed to take because at that point we did not have home-delivered meals, so I carted them out of the Food and Friendship Program.

In there she has this passage marked. It is in John. It says basically, "Do not worry about it. When people begin to believe, you will touch their hearts and if anyone thirsts, they will come and drink, and those who believe as the Scriptures has said, out of their hearts shall flow living water."

And it refers back to a place in the Scriptures where Moses was looking at all these people who were thirsting to death. And God said, Go and hit this rock and water will come out of it. And Moses hit the rock and nothing came out. So Moses got God very angry at him because he would not wait and he hit it again, you know so he did not get the gold, right.

Our people have hit the rock and nothing is coming out, right, and so we say, you cannot get angry now, you have got to be political, right. And what they want to do is just beat that rock. And that rock, as Sarah Sterns reminds us in this, is our hearts. Our hearts. And until we get our hearts involved in that trip down the hall with that meal, all the facts in the world ain't gonna change nothing.

[The prepared statement of Reverend Rowe appears at the conclusion of the hearing.]

Reverend ROWE. I did not expect all that emotion. I think that is all I got to say.

Mr. PANETTA. Thank you. Reverend Johnson.

STATEMENT OF REV. ANN JOHNSON, DIRECTOR, COMMUNITY INVOLVEMENT PROGRAMS, ST. JOHN CONGREGATIONAL CHURCH, DETROIT, MI

Reverend JOHNSON. Mr. Chairman, I would like to first welcome you to Detroit. I would like to say that it is a pleasure to be here.

My name is Rev. Ann Johnson. I am the director of the Community Involvement Programs at St. John Congregational Church. We operate two soup kitchens on the east side of Detroit. We serve the poor because we feel that every person has a right to have food, shelter, and clothing.

Since we started our soup kitchens in 1983, we have served thousands of families, senior citizens, and single persons, and the numbers continue to increase. In 1984, we served about 150 persons per day at both sites. Now we are serving between 450 and 500 persons per day. We are also seeing more children coming along for meals. Senior citizens have serious problems as their incomes do not rise with the cost of living.

Many of them have serious health problems and cannot prepare their own meals. Even though we give them food it is difficult for them to prepare it because some of them do not have heat, some of them do not have gas to cook it on or stoves. The improved economy has not helped our neighborhoods, where almost 50 percent of the children live in poverty. In one area we serve, the official unemployment rate is 30 percent. In addition to hunger, people in our neighborhoods have many other problems including high energy costs, shelter, drugs and alcohol abuse, and unemployment. Some of our clients are mentally ill.

The need for food continues to increase, but food and money donations are decreasing. It has become more and more difficult for us to help all those who come to our doors. The Federal Government must do more to help poor people. Job training, counseling, and employment opportunities are needed.

In the meantime, a way must be found to provide people with a nutritious diet. Food stamps are good, but people run out before the end of the month. We are helping as many people as we can at St. John and St. Ann's. We are fighting for a solution for our neighborhood. We cannot do it alone. we need your help, Mr. Chairman, to make sure that everyone in our neighborhood has enough to eat.

St. John has a program and process. We are getting ready to open a shelter for at least 25 homeless which applications have already been sealed. We open our doors to start the shelter with 25, but at the present time, we are faced with over 200 people asking us for shelter. We are ready to provide three nutritional meals per day. We are planning to have a health screening and family counseling for abuse and substance abuse. But our problem is, Mr. Chairman, we need our FEMA funds.

Our only prior help has been through our mayor and other organizations but we have ran out. The doors are closing on us and we are being told that we would like to help you but that there is no funds—will be cost of the cuts. We are barely feeding our people, while at one time we were able to give them nutritional and better meals.

But we are no longer able to go to our resources to get fruit, vegetables, and things that it takes to make children healthy. A lot of the women and children we serve, they eat in the soup kitchen because they do not have gas, lights, or stoves to cook foods so they come to the soup kitchen to receive one meal per day.

But we come before you today, Mr. Chairman, asking you and appealing to your knowledge and expertise to take back this information for us for we are not committed to this program for salary, we are not committed to the poor because of the status of life we stand, we are committed to this program because of who we are.

We are committed to the poor because we have all been there at one time or another.

One of us has been hungry at one time or another. That is why I have committed myself to this program. That is why I commit my time. This is why I commit long hours. To help a child that is standing on a corner that has not had breakfast or that has slept in a room with gas heat or slept in a room with no heat at all. And when he is getting ready to go to school next morning, there is no food to give him.

My kitchen is closed because I do not have it. So we ask, Mr. Chairman, if you would take this back on our behalf and let them know that we are hungry and we are standing up and we are ready to fight for this injustice in the United States.

Thank you.

[The attachments follow:]

PROGRAMS

ORGANIZATION:

St. Ann's Mission (St. Ann's Mission is three (3) years old.)
4654 Grandy at East Forest

SERVICE INFORMATION:

One (1) nutritious meal per day. We feed 125 - 200 persons per day.

CURRENT PROGRAMS:

Soup Kitchen, Food Stamps Assistance Program, Dental Information, and
Clothing Banks

SERVICE AREA:

Gratiot to St. Aubin; Mack to John C. Lodge

ORGANIZATION:

St. John's Community Center
14320 Kercheval at Lakewood

SERVICE INFORMATION:

One (1) nutritious meal per day. We feed 250 - 300 persons per day.

CURRENT PROGRAMS:

Soup Kitchen, Resource Information Center, Clothing Bank, and The Michigan
Opportunity and Skills Training Program (D.S.S.)

PROGRAMS IN PROCESS:

Shelter for at least 25 homeless families and single persons; providing
them with three (3) nutritious meals per day. We are also planning to
have health screening and family counseling for abuse and substance
abuse.

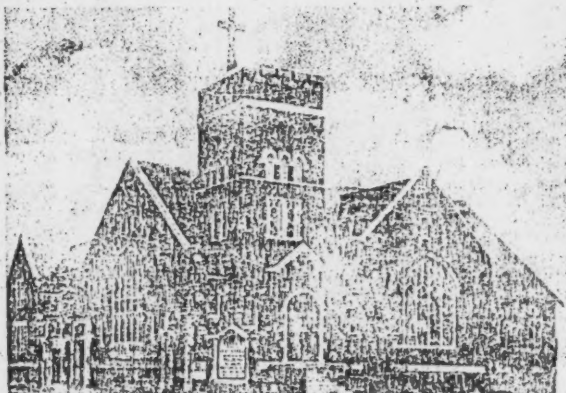
SERVICE AREA:

Jefferson, Conner, Alter Road, Mack

REV. ANN JOHNSON

Program Director

Kercheval's struggle for survival



St. John's Congregational Church, 14320 Kercheval at Lakewood, a beehive of activity — feeding the hungry, clothing the poor, and caring for it's youth

The street is rain washed. Broken glass glisten in the street light like tiny Christmas lights — twinkling with each passing car. The scene is not pretty. There are boarded up stores, burned out houses, weed choked lots, men standing on corners watching and waiting seeming to have no where to go or a purpose for being there. Little children running to the store with pop bottles tucked under their arm, ducking in doorways to get out of the rain.

All this seem so hopeless and the area so desolate, but sitting on the corner of Kercheval and Lakewood there is a haven, a place of promise and hope — St. John Congregational Church.

Pastor Bennie Johnson and Rev. Ann Johnson are determined to turn this community around. The doors of St. John is open to the community. There is a soup kitchen set up to

feed the hungry. It is also a distribution center for the government feeding program. There is an adult education program; a thrift shop; program for the youth that are funded by the City of Detroit initiated by Rev. Ann Johnson, the Director of Community Involvement Programs. Rev. Johnson also initiated the Summer Feeding Program for Children. St. John is there for the community if there is any need in the community. Rev. Ann Johnson is the person to see. She is very concerned about what's happening in the community.

St. John's isn't the only fighting force in the community there are countless others that are dedicated to restoring the Kercheval area. With the community, institutions, and businesses working together, the struggle will not be in vain.

Submitted by A Concerned Citizen



Rev. Ann Johnson, Director of Community Involvement Programs at St. John Congregational Church, 14320 Kercheval, Detroit, MI 48215.

St. John's Summer is underway

St. John's Community Center Summer Youth Program staffed by Rosemary Gay and Jason Groce, has approximately 40 registered youths. These youths participate in arts and craft projects, aerobics, modern dance, baseball, basketball, chess and checkers, in order to earn points for field trips. These trips include Bob-Lo Island July 17, Walk Tour Downtown Detroit, and Tiger Baseball Game. the children earn points from attendance, participation, and achievement. The program includes guest speakers, Mr. John Bivens, troop 445, officer Walker Detroit Mini-Station. Open House was held July 12, giving parents an opportunity to see what their children are doing at St. John's.

"Transportation has been the only major problem with the group, and we are soliciting other groups to assist," says Rev. Ann Johnson, the

program director. "Although we received limited funding, I am prayerful that donations will be received soon. I encourage area businesses and churches to call me if the wish to help with this community effort. We have put in many hours to make sure these children have adequate supervision and a fun summer and I am proud of my staff." The programs ends August 9 when the children will show their arts and crafts and win awards. During the street festival activities.

UPCOMING EVENTS

Kercheval Festival planned

St. John's Community, 14320 Kercheval will host this years festival which will be held August 9 & 10, 1985. Booths will be set up along the sidewalks between Lakewood and Chalmers. Other organizations and groups are invited to participate. For more information, come and meet Rev. Ann Johnson on Thursday, July 18, 1985 at 3:00 P.M. at St. John's Community Center, 14320 Kercheval or call 824-1677.

JMCC's "honor roll"

The following persons have made contributions to make our community a better place.

Mrs. Rhoda Howard; Fifth Precinct: Commander Robinson, Officer Boris, Officer Williams, Lt. Fitzpatrick, Mrs. R. Baker. St. Philip Neri Church: Father Dunn and Rev. Jesse Rayford. Eastside Citizen's News: Mr. J. Bowen. Montith Branch Library Staff; Southeast Neighborhood City Hall: Mr. Fred Durhal, Ms. Marjorie Thompson and Ms. Davison. St John Community Center: Rev. B. John, Rev. A. Johnson and Ms. R. Gay.

A special thanks to the many volunteers that came out on May 4 to help make "Project Pride '85" a success.

Senior's Day at St. John's

Beginning April 4, 1985, St. John's Community Center - 14320 Kercheval, has designated every Thursday as "Senior's Day. A continental breakfast and hot lunch will be served. Seniors will be able to participate in games and win prizes between the 10:00 a.m. and 3:00 p.m. For more information call Rev. Ann Johnson or Ms. Gay at 824-1677.

'Love Kitchen' feeds 700 on staff's 'day off'



Area residents line to get pizza from Little Caesar's Pizza "Love Kitchen." The "Love Kitchen" is a cafeteria on wheels, a large fully equipped vehicle constructed for the purpose of assisting Detroit's soup kitchens.



On most days the soup kitchen of St. John's Congregational Church, located at 14320 Kerchavel, serves nearly 400 people. Knowing that St. John's staff and others like them deserves a lot of thanks and a "day off," with this in mind, Mike Illitch, the owner of "Little Caesar's Pizza," decided to bring their kitchen unit to Detroit's soup kitchens to give the staff a "day off."

On Saturday, May 4, Little Caesar's "Love Kitchen" fed nearly 700 people at St. John's. Area residents feasted on pizza (of course), cole slaw, Coke, doughnuts, juice and pop.

The unit is a cafeteria on wheels, a large, fully equipped vehicle which Little Caesar's has constructed for the sole purpose of assisting those who assist the needy.

Rev. Ann Johnson, Program Director and Coordinator at St. John's expressed that she wished other businesses and organizations would get more

involved in helping to solve the problem of hunger in our communities. She also stated that this effort was a success and says "Thanks to Mike Illitch, Mayor Young and the Health Department for sharing with us."

Mr. PANETTA. Thank you very much, Ms. Johnson. I appreciate your testimony. Ms. Powell.

STATEMENT OF SHIRLEY J. POWELL, EXECUTIVE DIRECTOR, SOUTHEASTERN MICHIGAN FOOD COALITION, ON BEHALF OF THE FOOD AND NUTRITION ADVISORY COMMISSION, MICHIGAN DEPARTMENT OF PUBLIC HEALTH

Ms. POWELL. My name is Shirley Powell. I am executive director of the Southeastern Michigan Food Coalition in Detroit. SEMFCO is a hunger education advocacy organization, focusing on domestic food issues. I am testifying today also on behalf of the Michigan Department of Public Health's Food and Nutrition Advocacy Commission.

Hunger is a serious problem in the Detroit area, and in the State of Michigan. In hearings that the Nutrition Commission held around the State in 1984, we found that hunger is not only a problem in Detroit, but it is a problem around the State. The proceedings from those hearings are available to you. So it is no longer Detroit's problem. The State of Michigan is in trouble and it is no longer a crisis situation but it is definitely a chronic situation. They are not just in Detroit, but all over the State of Michigan.

We estimate that in Wayne County alone, 8.4 million additional meals are needed each month if each citizen is to be provided with three meals each day. The more than 200 emergency food providers in Detroit and Wayne County are providing about 2.4 million meals each month, but the need is clearly not being met. Most groups report that the number of persons asking for help is still increasing. The chart below shows services delivered for a small sample of pantries and you will see that one church that was feeding four families in 1981 is now feeding more than 200 families each month.

Another church that was feeding 20 families in 1981 feeds 600 families each month now and so forth.

	Families per month		
	1981	1984	1985
St. Andrew's United Methodist Church	4	70	106
Southwest United Presbyterian Church.....	20	600	600
State Fair Cluster.....	5	70	130
Capuchin Center.....	721	2,200	3,400
Nardin Park Community Action Program.....	60	90	100

More groups each month are reporting that the number of people they serve is not increasing, or may even be decreasing, because they are not able to provide for all who come to their doors seeking assistance. Their resources are stretched to the limit and beyond. Some groups must shorten their hours of operation or turn people away.

The private sector will never be able to meet the needs no matter how hard they try. There are many reasons why people are hungry in the Detroit area. The obvious one is, of course, that there are more poor people now and that the gap between the rich and the poor is widening. The poverty rate is now 3 percent higher than it was in 1976 and 1977 when the unemployment rate was

about the same as it is now. Half of the jobs lost in Michigan in the last recession were lost permanently. Many people returned to lower paying jobs or part-time jobs while others are still unemployed.

In Michigan, the number of female-headed ADC households has returned to 1979 levels. About twice as many ADC unemployed and general assistance recipients are still on the welfare roles as were in 1979. These are people who have been unable to find employment. Median family income has decreased by \$3,000 per year in the last 11 years.

The 1981 tax cuts meant a tax increase for low-income wage earners. Budget cuts and punitive changes in rules and regulations in all programs for the poor have further reduced their ability to survive. Our welfare system is based on the myth that people do not want to work. Therefore, they and their families should be punished.

One need only look at recent events related to the new Mazda plant in Flat Rock, MI, to explode this myth; 110,000 people requested applications for the 2,500 jobs being created—250 jobs this summer and an additional 2,250 jobs phased in over the next 2 years.

The problems facing the poor are immense and will not be solved quickly. The Field Foundation found, however, in the late seventies, that food programs such as WIC, school meals, and food stamps were responsible for the improved nutritional status of poor children. Over the past few years, these programs have been cut until their effectiveness has been compromised. Surely we, as a nation, should be able to feed people adequately through our Federal feeding programs. The WIC Program has been proven effective, yet we have many people on the waiting list. The Food Stamp Program has been severely limited by budget cuts.

Emergency food providers see increasing numbers of clients as the months progress and family's food stamps are exhausted. The thrifty food plan is inadequate, and food stamp benefits do not allow families to purchase even enough food to meet the thrifty food plan.

In Detroit, it costs 41 percent more than the food stamp allotment to meet the thrifty food plan. Changes in rules and regulations such as retrospective budgeting and monthly reporting have taken their toll. In Michigan, the client must fill out a form which is 25 pages long to receive assistance. The 90-day sanction for non-compliance with work programs and voluntary quits on jobs also creates many problems.

It is imperative that the food stamp benefits be increased to realistic levels and that the rules and regulations be altered to make the program more accessible. The 1985 Food Security Act is a step in the right direction and we thank you for your support and your work on that. I find President Reagan's proposal to eliminate these advances appalling. We are looking to the Congress to take seriously the plight of the poor, and to take leadership to ensure that all of our citizens have access to an adequate diet.

The right to life, liberty and the pursuit of happiness must include food.

[The attachments follow:]

THE SEMFCQ

BREADLINE

VOLUME V, No. 4

SEPTEMBER/OCTOBER 1985

2.4 Million Meals Every Month!!!

... that's our estimate, based on reports from 90% of 200 Emergency Food Providers (EFPs) in Detroit and Wayne County, of the average number of meals provided to persons requesting emergency food assistance each month. This is a conservative estimate as are the other monthly averages reported later in this article, and in the chart on page 4. Before we further discuss these monthly figures, let's take a look at some one-day figures gathered early this year.

Last February, many Emergency Food Providers participated in "Documentation Days" to help us gather statistics about the number of people receiving emergency food assistance.

Forms and instructions were sent to 189 EFPs in Detroit and Wayne County. Of those we heard from 115 EFPs for at least one of the two days (February 13 & 27). That's a 61% return. 105 EFPs reported for the 13th, giving us a 55.6% return for that day; 104 reporting for the 27th represents a 55% return.



Looking at food pantries alone, we see that of 155 who received the materials, 94 or 60.6% reported for at least one of the days. For the 13th, 85 or 54.8% of the food pantries reported serving 3,427 households made up of 8,830 individuals and receiving 112,362 meals. Those reporting represent 64% of the service volume. By our calculations, if 100% of the food pantries had reported on this date, the numbers served would be 5,355 households, made up of 13,800 people, receiving 175,575 meals.

Still reviewing food pantries, for February 27th, another 85 pantries reported serving 5,372 households made up of 12,266 people who received 139,931 meals. Those reporting represent 57.1% of the service volume. Again, if 100% had reported, the numbers served would be 9,408 households made up of 21,480 people, receiving 245,065 meals.

Now let's look at soup kitchens or, as some are called, community dining rooms. (This category also includes prepared bag meals eaten on or off the site.) Of 61 kitchens who received the materials, 38 or 62.3% reported for at least one of the two days. For February 13, 33 or 54.1% of the kitchens reported serving 4,830 people who received 5,494 meals. Those reporting represent 61% of the service volume, and we estimate that if 100% of the kitchens had reported, the numbers served would be 7,920 people, receiving 9,007 meals.

(continued on page 3)

FOND FAREWELLS

GEORGE COVINTREE, JR., Director of Southeastern Michigan Food Coalition (SEMFCO) for seven years, has resigned from his position effective July 15, 1985. He and his family have moved to Rockland, Massachusetts where George is Pastor of the United Methodist Church. He has begun his studies in preparation for the ordained ministry at Boston University Seminary.

Needless to say, George will be missed. He has been a strong advocate for both government and private food programs, and for the right of every citizen to have an adequate diet.

We wish him every success in his new career. He certainly has had a lot of experience speaking in pulpits over the past few years of visiting churches, sharing his concern and his knowledge about hunger issues.

George and Winkie would be happy to hear from you. Their address is...



RESIDENCE: 878-1402
OFFICE: 878-8021

**HATHERLY UNITED
METHODIST CHURCH**
ROCKLAND, MA

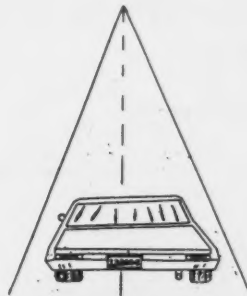
GEORGE E. COVINTREE, JR. 31 LIBERTY COURT
PASTOR ROCKLAND, MA 02370

SHIRLEY POWELL, who has been SEMFCO's Program Coordinator since 1980, is now the Director. She has a master's degree in Nutrition, is Personnel Chairperson for INFACF and a member of the Food and Nutrition Advisory Commission of the Michigan Department of Public Health.

Marya Small, a Jesuit Volunteer assigned to SEMFCO by the Jesuit Volunteer Corps, has also left the SEMFCO staff. Her one year placement period ended July 31, 1985 and she returned to her home in Narbeth, Pennsylvania.

While at SEMFCO, Marya edited the Breadline, attended training sessions and conferences related to food and hunger issues and was the primary coordinator of SEMFCO's Urban Hunger Workcamps.

Marya will surely be missed and we wish her well in her future endeavors.



THE SEMFCO BREADLINE

BREADLINE is published by SEMFCO, the Southeastern Michigan Food Coalition, a non-profit, interfaith, anti-hunger, action/education organization located at 23 East Adams, Detroit, MI 48226. BREADLINE welcomes your comments, in addition to any articles, letters, calendar information, address changes, etc.

Staff: Shirley Powell and Susan Tyler.

The subscription rates:

\$ 4 for students, senior citizens, and people of low income

\$ 8 for individuals

\$12 for organizations, churches, community groups, etc.

2.4 Million Meals Every Month!!! (continued from front page)

For February 27, 35 or 57.4% of the kitchens reported serving 6,823 people who received 7,674 meals. Those kitchens reporting this day represent 50% of the service volume, and if 100% had reported, the numbers served would be 13,646 people who received 15,348 meals.

Analysis of EFPs that issue food orders reveals that, of 31 such sites to whom materials were sent, 19 or 61.3% reported on at least one of the two days. For February 13, 16 or 51.6% reported serving 31 households made up of 103 individuals who received \$1,402 worth of food orders. Using Department of Social Services food stamp reimbursement values of 50 cents per meal, this represents 2,804 meals. Since some of these sites have since discontinued this service, it is difficult to determine the percentage of service volume these providers represent. Our best estimate is that those reporting on this date represent 45% of the service volume and that, if 100% had reported in February, the numbers served would be 229 people receiving \$3,117.50 representing 6,235 meals.

For February 27, another 16 food order sites reported serving 26 households made up of 98 individuals who received \$485, representing 970 meals. Again, our best estimate is that those reporting on this date represent 46% of the service volume and that, if 100% had reported, the numbers served would be 213 people receiving \$1,055, representing 2,110 meals.

And now for the totals for Documentation Days: For Wednesday, February 13, 1985, 105 EFPs (some with more than one type of service) reported serving 13,763 individuals who received 120,660 meals. For Wednesday, February 27, 1985, 104 EFPs reported serving 19,187 people who received 148,575 meals.



We estimate that if 100% of the EFPs had reported, the numbers served would be, for February 13, 21,949 people receiving 190,817 meals and, for February 27, 35,339 people receiving 262,523 meals.

The question we all are asking is: What do these figures mean? Are they daily figures that could be multiplied by 20 or 30 to obtain a monthly figure. Our answer is NO. Due to the variation of days of service among all the EFPs, it would take a complicated and sophisticated statistical process to interpret these figures on a monthly basis.

The Documentation Days numbers simply have to stand by themselves as one-day figures gathered for two different days in February, 1985.

The average monthly service data, which we used to calculate percentage of service volume for the above statistics, is probably the most useful for determining monthly emergency food assistance levels.

Of the more than 200 Detroit and Wayne County EFPs currently in our files, we have compiled average monthly service numbers for 181 or 90% of them.

While we have combined totals of households and individuals served, those numbers are misleading if not broken down according to the type of program, since soup kitchens count a person everytime s/he is served. The one combined total that is significant, regardless of the type of

(continued on page 4)



2.4 Million Meals Every Month!!! (continued from page 3)

program, or of the number of times any person is counted, is the total average number of meals provided by 90% of Detroit/Wayne County EFPs and that is at least 2,383,071 meals every month!!! Since we were conservative in compiling that number, it is easy for us to round it out to 2.4 million meals provided by all EFPs.

In order for us to estimate the average number of households receiving emergency food assistance, we need to look at the numbers reported by food pantries and/or food order sites. Of 161 pantries in our network files, 152 of them report that they serve monthly an average of 36,995 households (28,639 in Detroit and 8,356 in out-Wayne County). They serve an average of 121,262 persons per month (93,168 in Detroit and 28,094 in out-Wayne). The average family size, according to these figures is 3.3 persons (3.25 in Detroit and 3.4 in outer Wayne County). An average of 2,230,676 meals is provided monthly by these pantries (1,565,401 in Detroit; 665,275 in out-Wayne).

Nine (9) out of 28 food order issuing sites reported giving out \$6,348 worth of food vouchers to 435 households (406 in Detroit and 29 in Out-Wayne). Calculating at 50 cents per meal, the amount given by D.S.S., that translates to 12,696 meals (11,250 in Detroit and 1,446 in out-Wayne).

The number of persons reported served by soup kitchens is sometimes misleading because one person might be counted 20 times or more in the same month. On the other hand, some kitchens are open only one day per week or only one week per month. Nonetheless, the number of meals provided is significant. Of 54 soup kitchens in the Network's files, 49 of them report that they serve an average of 139,699 meals every month (131,660 in Detroit; 8,039 in out-Wayne).

This article was prepared by the SEMFCO/UCS Emergency Food Communication Network.

EMERGENCY FOOD ASSISTANCE IN DETROIT AND WAYNE COUNTY
A summary of average monthly service levels reported by emergency food providers (EFPs) in the target area.

PREPARED BY THE SEMFCO/UCS EMERGENCY FOOD COMMUNICATION NETWORK (EFCN)

	ALL EFPs	FOOD PANTRIES	SOUP KITCHENS	FOOD ORDERS
MONTHLY AVERAGES				
# EFPs in Network	200	161	54**	28**
Detroit	161	111	42	13
Out-Wayne	59	50	12	15
# Reporting	181 (90%)	152 (94%)	49 (91%)	9 (32%)
Detroit	127 (90.1%)	106 (95.5%)	41 (98%)	6 (44%)
Out-Wayne	54 (91.5%)	46 (92%)	8 (67%)	3 (20%)
# Households	37,430	36,995	N/A	435 Inc.
Detroit	29,045	28,639	N/A	406 Inc.
Out-Wayne	8,385	8,356	N/A	29 Inc.
# Persons	224,693	121,262	101,801	1,803 Inc.
Detroit	188,552	93,168	93,870	1,514 Inc.
Out-Wayne	36,141	28,094	7,931	116 Inc.
# Meals	2,383,071	2,230,676	139,699	12,696 Inc.
Detroit	1,708,311	1,565,401	131,660	11,250 Inc.
Out-Wayne	674,760	665,275	8,039	1,446 Inc.
				Inc. = Incomplete

9/85

**Some soup kitchen sites and food order services have been discontinued since 2/85

WORLD FOOD DAY

October 16

1985-The year of the 5th World Food Day

The fifth observance of World Food Day on October 16 will be marked in nearly 150 countries around the world and thousands of communities in the U.S. In the U.S., it will be supported by a National Committee of 350 private voluntary organizations, the Congress, the President and Governors of all 50 states. But the strength of the Day will continue to be as a focal point for year-round grassroots action and a world-wide people's movement against hunger.

1985-The 3rd year of Africa's food emergency

Although the drought appears to be ending in most - but not all - African countries, emergency food needs will be higher this year than last. This is because seeds in the ground still must wait for a new harvest before they bring food to the table. More than 20 countries remain in the "food emergency" category and the return of the rains should not lead us to think the crisis is over.

Materials on the African crisis will be available through the national WFD office and from several National Committee organizations. While the main thrust of World Food Day is on long-term solutions, we cannot forget the immediate plight of those most in need. The link between the farm crisis in the U.S. and hunger in other parts of the world could be a good theme for local programs.

1985-The 40th year of service by FAO

This year will mark the 40th anniversary of the founding of the Food and Agriculture Organization of the United Nations (FAO), which is the hub of the global struggle to eliminate hunger and build food security for all. FAO was conceived at a meeting in Hot Springs, Virginia, in 1944, and formally created at a meeting in Quebec City, Canada on October 16, 1945.

FAO themes for World Food Day in this anniversary year include rural poverty, protection of the environment and the role of plant genetic resources.

1985-An important year in many other ways

This is the International Year of the Forest, International Youth Year and the last year of the Decade of Women. Each of these provides an opportunity to study the food linkages with other world issues. 1985 marks the 25th anniversary of the Peace Corps and the 50th anniversary of the U.S. Soil Conservation Service - other important milestones worthy of attention at local, national and global levels.

Locally, in the Detroit area, World Food Day will be observed by participating in the second WFD teleconference, a satellite "town meeting", where food and hunger issues will be discussed. The overriding theme of this teleconference is the relationship between poverty and hunger; the impact of environmental degradation and resource depletion on food security; and the continuing African famine.

The Detroit receive sites for this teleconference will be Sacred Heart Seminary located at 2701 W. Chicago Blvd. Other receive sites include U of M Dearborn/Henry Ford Community College and St. John Fisher Chapel at Oakland University in Rochester.

(continued on page 8)



WELCOME, VISTAs!!!



We are delighted to report that four new persons have joined the SEMFCO/UCS Emergency Food Communication Network staff as of Wednesday, August 21, 1985. They are all Volunteers in Service to America (VISTAs) who will be working with us for one year, helping Emergency Food Providers (EFPs) to network with each other and to develop more ongoing resources to keep their programs operating. Each VISTA will be assigned to work with 3 or 4 Cluster groups of EFPs and will be getting to know many of you in coming weeks. We'll briefly introduce them to you here.

JOHN DROUILLARD lives in Romulus, where he and his wife conduct a ministry (out of their home) through which they supply food to several needy families and seven churches who also supply food to the needy. John joined the VISTA program because he wants to expand his ministry to others and to learn some skills which he thinks will enhance that ministry. A successful businessman, he sold his auto repair tools and equipment and turned his clientele over to former colleagues in order to devote full-time to his ministry through the VISTA program.

BRENDA HOLT is beginning her second tour of duty as a VISTA. From 1977 through 1979, she was a VISTA assigned to the Wayne County Welfare Rights Organization, where she was a recipient advocate. The mother of four children ages 10 through 19, Brenda is deeply concerned about the needs of so many in our community for emergency food assistance.

Cornelius "Neil" Tucker has been a volunteer for Butzel Family Center and Catholic Social Services before joining VISTA. When the federal government enforced his mandatory retirement at age 70 eleven years ago, Neil wanted to stay busy by helping people. Having been a Big Brother for 25 years and recently an active member of the Men's Group at Park United Presbyterian Church in Highland Park, Neil is already teaching us that the golden years can be energetic, productive and rewarding.

LINDA WERNET had been working with another branch of ACTION services since April and decided to become a VISTA because she wanted a challenge and to really be more closely involved in the work to fight poverty and hunger. She has 13 years of farming experience, having lived on her family's farm in Manchester, Michigan. A trained para-legal, Linda has had experience in interviewing clients and researching various citizen's rights issues.

BiTS PIECES

Maurice Beck, the Michigan League for Human Services' Executive Vice President, has announced that he will retire on December 31. He has served as MLHS Executive Vice President for 26 years. He is currently a gubernatorial appointee to the Michigan Department of Social Services Advisory Council and president of the Michigan Society of Gerontology. He is also a Board member for the Michigan Human Services Workers Compensation Trust Fund and for the Michigan Voluntary Agency Group Plan for Unemployment Compensation.

A Search Committee has been formed to find a suitable replacement. The Committee will look for someone who has considerable knowledge both of social policy and of political issues and processes at the state level, and who has had experience working with funding sources such as United Way, citizen coalitions, and state government.

HUNGER BASIC 8

This is the second of a four-part series on the general issue of domestic hunger. The series is taken from Hunger in the Eighties: A Primer, a book published last year by the Food Research and Action Center of Washington, DC.

How Are Different People Affected?

The ravages of limited nutrient intake are seen first among those who are most vulnerable because of age or stages of growth:

- infants, children, pregnant and nursing women because of high requirements for growth;
- the elderly because of limited reserves to withstand prolonged periods without proper nourishment.

For pregnant women, nutritional needs are significantly increased. If those needs are not met, both mother and child may be affected. Inadequate nutrition may be a factor in poor pregnancy outcomes: miscarriage, stillbirth, and low birth weight. Low birth weight infants are half as likely to survive, three times more likely to have birth defects, ten times more likely to suffer from mental retardation.

For nursing women, nutritional needs are also greater. If they are not met, a nursing mother's ability to adequately nourish her infant is compromised and the infant may not grow and develop properly.

For infants, inadequate nutrition during critical points of growth and development can have long-lasting effects. Babies born underweight and underdeveloped are more likely to be retarded, to have conditions such as epilepsy or cerebral palsy, or die in infancy. Babies malnourished after birth may experience "failure to thrive" as well as an increased susceptibility to disease.

For children, inadequate nutrition can mean stunted growth and development, behavioral and learning problems, and a greater susceptibility to disease.



For adults, prolonged poor nutrition lessens productivity and energy and can also increase susceptibility to disease.

For the elderly, adequate nutrition plays a critical role in both treating disease and maintaining health, and there is evidence to suggest a link between poor nutrition and the onset of senility.

In general, the effects of malnutrition are seen less quickly in adults, and there are fewer long-term repercussions than with children. Children generally have remarkable recuperative powers, though severe malnutrition can have long-term consequences for young children.

(continued on page 8)

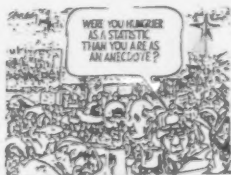
HUNGER BASIC 8

(continued from page 7)

More common in the United States and more subtle in its effects is chronic undernutrition. In children that can lead to poor physical growth, anemia, and poor behavioral development. This poor behavioral development translates into a decreased ability to perform the kinds of tasks needed to do well in school. Also, prolonged iron deficiency, like chronic undernutrition, can impair intellectual development.

Consequences: studies have shown that if malnutrition is severe enough and prolonged enough, and occurs at critical points of development, a child can be permanently damaged. Moreover, even less severe malnutrition can have long-term negative effects on children. Both hunger and chronic undernutrition does decrease a child's chances of doing well in school.

Most dramatically in the case of infants, but to some degree for everyone, good nutrition is an investment in good health. For example, it costs \$450.00 to provide nutritious foods, nutrition counseling, and basic checkups for a high risk woman during pregnancy in the WIC program--a program which has been proven to reduce the incidence of low birth weight. By contrast, hospitalization costs for a very low birth weight infant can run \$15,000 - \$100,000 or more. Good nutrition translates into lower health care costs, and a more productive, healthier citizenry.



WORLD FOOD DAY

(continued from page 5)

The program will begin at 12 Noon and will end at 3:00 P.M., Weds., October 16. The first hour of the program will be a presentation by the national panelists. The second hour will be "dark", as the local sites will hold their panel discussions and prepare questions for the national panelists. The third and final hour will be solely for questions and answers.

The tentative national panelists are:

Barbara Huddleson - Chief of the Food Security and Information Service of the UN Food and Agriculture Organization (FAO) in Rome.

Marie Angelique Savane - Director of the Association of African Women and Research and Development, in Dakar Senegal, West Africa.

Paul Simon - Democratic Senator from Illinois.

Peter McPherson - Republican lawyer who serves on the board for International Food and Agricultural Development.

This year's World Food Day observance also includes outreach promotions through the Detroit Public Libraries (as a part of their International Awareness Week) and through area schools. All tax deductible contributions to assist this educational outreach are welcome. Send checks payable to World Food Day Committee to:

WFD COMMITTEE
15015 Piedmont
Detroit, MI 48223

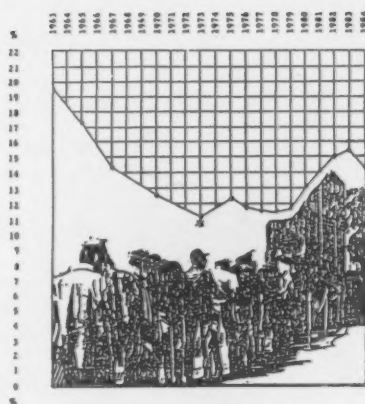
Special World Food Day Study/Action Packets are also available by inquiring at 272-5820.

If you need further information regarding World Food Day, October 16, 1985 you may contact Margaret Weber (Bread for the World) at 272-5820, Susan Tyler (SEMFCO) at 962-0348, or Fr. John West (Sacred Heart Seminary) at 868-2700.

SEMFCO ANNUAL MEETING

SEMFCO's Annual Meeting will be held Monday, October 28, 1985 from 5:30 PM to 6:30 PM. A light supper will be served. A regular board meeting will follow, from 6:30 PM to 8:30 PM, with Board Orientation and a regular business meeting. All are invited!

Poverty' in the U.S.



Based on U.S. Census Bureau Figures

† The poverty level for a family of 4 is \$20,626.

†† Even in the best of times, 11% of our population lived in poverty.

Children, Poor and Getting Poorer

Good news is good news, and the Census Bureau report that poverty decreased last year prompted Reagan Administration spokesmen to hail a great triumph. It's true that poverty is down, primarily because of the economic recovery over which Mr. Reagan has presided. But that's not the only news here. A longer look at the census report produces three conclusions, none triumphant:

¶ First, though the poverty rate is down, it's still higher than when Mr. Reagan took office—one step forward after two steps back. The latest turnaround comes after five years of increasing poverty, to 15.3 percent in 1983. Even after the latest drop, to 14.4 percent, the poverty rate is the highest of any non-recession year since 1966.

¶ Second, the figures show that the income gap between rich and poor is growing. The Reaganists took umbrage when they were described, in their early months, as millionaires on parade. Mr. Reagan keeps insisting he has spread a safety net beneath the poorest Americans. But the new census data show that in 1984, the richest 40 percent of the population received 67.3 percent of the national income, the highest recorded percentage. In 1980 they received 65.9 percent. By contrast, the poorest 40 percent of the population received 15.7 percent of the national income in 1984, compared with 16.7 in 1980.

¶ Finally, there's another important thing to remember about the poor in America beyond how many there are: who they are. What should truly alarm anyone who cares about America's future is how, over the last decade, the weight of poverty has shifted from the old to the young.

The poverty rate among all children fell slightly in 1984, from 22.2 to 21.3 percent; black and Hispanic children were, if anything, poorer than in 1983. Half the black children under 6 were poor, their highest recorded rate; nearly 40 percent of Hispanic children under 18 were poor.

President Reagan is right that "the success of 1984 does not mean that the battle against poverty in this country is over." But if his Administration wants to try to save the next generation, it had better get moving.

Government knows some sensible things to do. Spending for improved health and education services for children, like the WIC (Women, Infants and Children) program and Head Start, is demonstrably cost-effective, yet the Administration still creates these programs stingily.

Congress is considering legislation for tax relief and social service programs to help poor children. Until the Administration puts its weight behind such efforts, its pronouncements on poverty will sound more like a desire for publicity than for progress.

THE NEW YORK TIMES, SATURDAY, SEPTEMBER 7, 1985

state BUDGET update

VICTORY - THOUGH SMALL - AT LAST

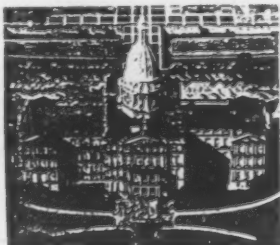
After six years of decreasing benefits, public assistance recipients in Michigan will receive a small increase in 1986. Sources in Lansing credit the concerted efforts of churches over the past two years with having an important part in reversing the trend toward still lower benefit levels. The final action on the DSS budget went further than either the House or Senate originally believed would be possible in increasing benefits.

Legislators voted to increase AFDC benefits by \$6.00 per person, per month. Called a "Readiness Assistance Allowance", the increase is intended to give parents on AFDC additional help toward employment, education and training efforts. Adults who have been sanctioned or are ineligible for employment and training programs will not receive the increase. Their children, however, will qualify.

General Assistance recipients will receive additional assistance through a \$10.00 increase in their shelter allowance.

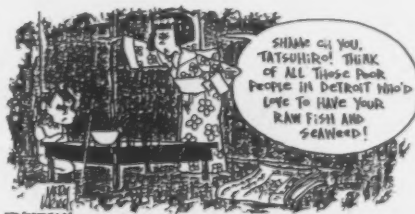
In addition to increased grant levels, low income people will benefit from the following:

- Changes in the Emergency Needs Program which expand eligibility and benefits
- A 20% increase in the needs standard, which expands eligibility and creates a work incentive
- Continuation of the MOST program and project self-reliance



THE URBAN HUNGER WORKCAMP

- WHAT:** An experience designed to expose junior and senior high school students to problems and causes of hunger in an urban area
- WHY:** Because it is through knowledge of an issue that answers begin to form and results to happen
- WHEN:** Various weekends between September and June, from Friday evening to Sunday morning
- WHO:** Sponsored by the Southeastern Michigan Food Coalition (SEMFCO) for any interested group of junior and/or senior high school students and their adult leaders
- WHERE:** Stationed at Central United Methodist Church in downtown Detroit, with work at soup kitchens throughout Detroit and visits to Detroit's ethnic and cultural centers



For more information on this exciting opportunity or to make reservations for a weekend, contact Susan Tyler at SEMFCO at (313) 962-0348.

At the SEMFCO Annual Meeting on October 28, Board elections will be held. The nominating committee is now preparing a slate. Your input is welcomed, indeed encouraged, in this process. Please contact potential nominees to ascertain their willingness to serve. Then, complete the form below and return it as soon as possible to:

Sr. Judith Singer
SEMFCO
23 East Adams
Detroit, MI 48226

I recommend that the nominating committee consider the following persons for membership on the SEMFCO Board:

NAME	ADDRESS	ORG/CHURCH	PHONE #

YOUR SIGNATURE

PHONE #

RETURN AS SOON AS POSSIBLE

YES, ___ I/We would like to subscribe to the SEMFCO Breadline.

YES, ___ I/We would like to continue to receive the SEMFCO Breadline.

Enclosed is ___ \$ 4 for students, senior citizens, and people of low income
___ \$ 6 for individuals

___ \$12 for organizations, churches, community groups, etc.

I/We would like to make a tax-deductible donation to SEMFCO.

Enclosed is \$ ____.

(All checks should be written to SEMFCO.)

NAME: _____

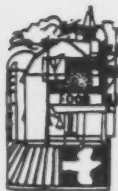
ADDRESS: _____

PLEASE CLIP AND RETURN TODAY.
The Southeastern Michigan Food Coalition
23 E. Adams
Detroit, MI 48226

CALENDAR

- | | | | |
|---------|---|----------|---|
| Oct. 15 | SEMFAC Breakfast Meeting, 7:30AM at Cass United Methodist Church. Evie Millstein, of Group Health Plan, to speak on the status of Medicare under the Reagan Administration. | Oct. 26 | March for Peace, Jobs & Justice sponsored by the Coalition for Peace, Jobs & Justice. Speakers from S.Africa, Nicaragua, U.S. Hispanic and Arab communities, and Trade Union Movement plus Entertainment. Meet at Clark Park at 10:30 AM. |
| Oct. 16 | WORLD FOOD DAY
Satellite Teleconference from 12 Noon to 3:00 PM at Sacred Heart Seminary, 2701 W. Chicago Blvd. and various other receive sites. | Nov. 5-6 | "Access of the Elderly to Health Care" Conference at Lansing Civic Center. Departments of Civil Rights, Mental Health, Public Health and Social Services and the Offices of Services to the Aging and Medical Care are sponsoring this conference to inform and address the issues that impact the access of older people, particularly minorities and low income elderly, to health care delivery centers. For more information, contact Carolyn Upshaw-Royal at (517) 373-4077. |
| Oct. 24 | Women's Health Day, a conference sponsored by Oakwood Hospital and Blue Cross/Blue Shield of Michigan, featuring Jane Brody, a health/nutrition writer for the New York Times and syndicated columnist for the Detroit Free Press. At Dearborn Hyatt Regency, from 1:00 PM to 9:00 PM. For further information, call Karen Toupin of the Department of Community Health and Health Education at Oakwood Hospital at (313) 593-7205. | | |

-12-



22 EAST ADAMS
Detroit, MI 48226

BREADLINE Vol. V, No. 4

SEMFCO

The Southeastern
Michigan Food
Coalition

962-5348

Address correction requested.

Speak up and protect the right of all
who are helpless, be a righteous judge.
Protect the rights of the poor and the needy.

Prov. 31:8-9

POVERTY... IN THE DETROIT AREA

- * Average income in Detroit is about \$13,000 per year - 30% lower than the rest of the state.
- * 60-70% of Detroit residents receive some government assistance.
- * Food programs in Detroit report that many families from the suburbs come in to their programs for help - because they don't know where to go in their neighborhoods or are too embarrassed to ask for help in their area.
- * The demands on food pantries and soup kitchens have increased dramatically since the Reagan budget cuts began. In addition to the many new programs which have been opened, existing groups have experienced huge increases, as documented in this sample:

	<u>1981</u>	<u>1984</u>	<u>1985</u>
St. Andrew's U.M.C.	4 fam./mo.	70 fam./mo.	106 fam./mo.
Southwest U.P.C.	20	600	600
State Fair Cluster	5	70	130
Capuchin Center	721	2,200	3,400
Nardin Park CAP	60	90	100

FOOD PANTRIES

- * It is estimated that at least 10,000 people in Detroit were homeless last winter.
- * In Detroit Metro Area, the Census Bureau estimates that 522,000 lived below poverty in 1981, and in 1984, 637,000.
- * The infant mortality rate in Detroit is 21.3/1000 compared to 11.8/1000 for the state as a whole.
- * The number of soup kitchens in Wayne Co. has increased over the last few years from 6 to more than 58.
- * From May of 1979 to May of 1984, the labor force in the tri-county area has decreased 3%.
- * During the same period, the number of employed persons has decreased 6.7%, and the number of unemployed persons has increased 45.6%.
- * In the tri-county area 215,000 households depend on food stamps which are inadequate to provide for a family's needs. In Detroit, about 185,000 households live on food stamps.
- * 7% more households in Detroit depend on food stamps now than in December of 1982 when the state of emergency was declared.
- * In Detroit 2,000 senior citizens received home-delivered meals because they are unable to provide for their own food needs. More than 1,000 more are on the waiting list. The estimated actual need is about 17,000.
- * 11% of the infants born in Detroit are low birthweight.

POVERTY ... IN MICHIGAN

- * 90,000 people are homeless in Michigan.
- * In "good years", 30,000 - 40,000 individuals receive general assistance payments. These individuals are primarily persons who are unemployable. Currently, 113,000 persons depend on this program for survival.
- * The number of Michigan families depending on welfare programs has increased by 40% in recent years.
- * At least 11,000 households, many the working poor, were dropped from assistance programs in 1982 due to changes in Federal regulations and new restrictions.
- * Children depending on AFDC (Welfare) for survival receive about \$5.00 per day (including cash and food stamps).
- * In 1979, AFDC clients received enough benefits to achieve an income at 90% poverty level. In 1985, they receive benefits to live at 59% poverty level.
- * 433,000 households in Michigan must depend on food stamps - which do not adequately provide for a family's needs.
- * 40% of Michigan's senior citizens live in poverty.
- * 4,000 Michigan farmers will lose their farms through foreclosure in 1986.
- * More than 1,300,000 Michigan citizens receive some kind of public assistance. This is 14.2% of the population.
- * In Flint, one study showed that the number of children experiencing growth failure doubled from 1978 to 1982. The increase correlated with the worsening economy.
- * Among migrants in the Traverse City area, 80% of the pregnant women are at high risks, and an unusually high percentage deliver babies with birth defects.



SEMFCO

The Southeastern
Michigan Food
Coalition

23 EAST ADAMS

Detroit, MI 48226

962-0348

SEMFCO/SP
3/86

Mr. PANETTA. Thank you very much, Ms. Powell. Ms. Powell, I appreciate again your testimony as well.

Let me ask Ms. Johnson, your soup kitchen, let us say, 4 years ago, was serving—was it in existence 4 years ago?

Reverend JOHNSON. Three years ago.

Mr. PANETTA. Three years ago.

Reverend JOHNSON. Yes, sir.

Mr. PANETTA. How many people were you serving 3 years ago?

Reverend JOHNSON. St. Ann opened first. We started with about 125 with an increase daily—more at the end of the month. St. John opened in 1984. We started with 300 people a day and—with a total of over 5,000 a month because the area we are in at St. John, there were no other soup kitchens at that time.

There were two soup kitchens in the area of St. Ann, but then they couldn't stay opened, so we continued to pull the load ourselves. The problem we are running into, Mr. Chairman, is no funds and no food.

Mr. PANETTA. What do you rely on now to be able to support the soup kitchen?

Reverend JOHNSON. Right now we are relying on our FEMA funds.

Mr. PANETTA. FEMA funds?

Reverend JOHNSON. Yes, sir. Which we desperately need because our kitchens have run out of food. This is one of the reasons that St. John's committed themselves to the resource center. A resource center was designed to keep seniors from having to go from place to place to find out about their Social Security, their welfare, their food stamps.

So we organized the resource center information where that person might be able to come. We have a staff of counselors who will immediately go to work on finding out what the problem is and getting medical referrals. We also got bus transportation which was donated by one of the doctors here in Detroit to get the seniors to the doctor for their teeth or get them to that doctor for their health.

But all of these things that we are doing, we are doing out of our own pocket. I just recently got in trouble with my own house note that I had to call Ms. Powell for because there was an emergency so I let that come first.

We use out of our own pockets to keep this program alive because there is hunger, there are people that do not have shelter. I have proof. In front of our church is an empty building and there are four gentlemen that sleep in that building at night. That is why St. John's committed ourselves to open this shelter so that people will not freeze. Our kitchens are open at the early part of the day.

Mr. PANETTA. How many meals do you serve a day?

Reverend JOHNSON. At St. Ann's we serve from 175 to 200 a day. At St. John's—

Mr. PANETTA. No, how many meals?

Reverend JOHNSON. One.

Mr. PANETTA. You serve one meal?

Reverend JOHNSON. One meal.

Mr. PANETTA. What is it, a noontime meal?

Reverend JOHNSON. Yes, sir. We did serve 6 days but we had to close—

Mr. PANETTA. You serve how many days a week?

Reverend JOHNSON. We can only serve five now.

Mr. PANETTA. Five days a week?

Reverend JOHNSON. Right.

Mr. PANETTA. One meal?

Reverend JOHNSON. One meal.

Mr. PANETTA. And do you serve about 5,000 people a month?

Reverend JOHNSON. A month.

Mr. PANETTA. At the present time?

Reverend JOHNSON. Right.

Mr. PANETTA. Now, are the people you are serving—give me a cross section. I realize there are some that are homeless, transients—are you serving families, children?

Reverend JOHNSON. We serve families, women and children. In some cases, we are serving children because the children come without the parent. But we still feed them anyway.

Mr. PANETTA. Without the parent?

Reverend JOHNSON. Without the parent. The child will come to the kitchen himself to be fed without the parent. Often we ask, where is the parent. Either they will come from school directly—if it is a half day, they do not bother to go home. They come straight to the soup kitchen and that is where they get their meals.

During the summer, we have a cold lunch program. We serve anywhere from 375 to—we could serve 400 children a day, we serve about 375 because of the time that—

Mr. PANETTA. 375 children?

Reverend JOHNSON. A day, in the summer lunch program.

Mr. PANETTA. So you serve a summer program?

Reverend JOHNSON. Right, we have a summer program that—where we get the cold lunch and we have—

Mr. PANETTA. That is on top of your regular feeding program?

Reverend JOHNSON. On top of our regular feeding program, plus we give commodity.

Mr. PANETTA. Let me ask you, if you had a blank check in terms of the people you could serve, do you have any idea how many people you would be serving in your soup kitchen?

In other words, how many people do you think are out there that need that kind of assistance and are not coming?

Reverend JOHNSON. I do not think I could write it—it is just at lunch.

Mr. PANETTA. Ms. Powell, you have been following these programs for a long time and I am aware of your reports, and let me thank you for the efforts that you have been involved with in this area.

We are obviously facing a tough year this year at the Federal level, and they do not seem to get any better. They seem to get worse. What should be our first priority at the Federal level considering what we are facing on the budget battles and the recommendations by the President?

Ms. POWELL. In my opinion, the Food Stamp Program has to be the backbone of our food assistance and I think every effort should be made to provide an adequate amount of food stamps so that

people can have some choices and can make some decisions for themselves. But food stamps, I think, has to be the top priority.

Mr. PANETTA. Reverend Rowe, do you provide your food by using the commodities program or—how do you get the food that you provide?

Reverend ROWE. Most of the packaged food—there are two kinds of packaged food that we distribute. One is FEMA packaged food which we distribute separately from the food that we have been able to get donations either in money or in kind to create which we just hand out as emergency food bags throughout the week.

We have been—because of the Skuman Foundation, able for the first time to do that not in a line but every day of the week because of caseworkers. A grant from them has allowed us to write prescriptions that try to respond to people's needs as opposed to, here is a bag, who is next. It took us a long time and a lot of money from an outside source before we were able to do that kind of individual treatment.

There is commodity food though in two places. One in some of the breakfast that we serve. If in fact we get, for instance milk, or if we can get certain things through Herman Keifer or through the health department commodity foods, we add that to the breakfast. Although when—we have got to decide what it is we need to serve for breakfast, what it is that is available through commodity foods, we can buy the rest through either donated money or FEMA money.

Now, one of the things that the testimony indicates is, that because a certain section of the FEMA money has not yet come, we have borrowed from the packages—

Mr. PANETTA. I see.

Reverend ROWE. So we have not been able to replace that with private donations and we never will. Now, that does not mean that the money is not out there. It just means that it is unrealistic to expect that all of a sudden the generosity of the State of Michigan or the United States is going to be something it has never been.

And for the private sector to try to pick up that load is just a ridiculous assumption. So what we have done is turn more and more people away.

Mr. PANETTA. You are delivering meals to seniors?

Reverend ROWE. Yes.

Mr. PANETTA. Is there a kind of Meals on Wheels Program?

Reverend ROWE. There is.

Mr. PANETTA. There is.

Reverend ROWE. That was the waiting list that I referred to.

Mr. PANETTA. I see.

Reverend ROWE. From 1,000 to 1,500 waiting list. So none of the seniors that we know are either going to get fed or they are going to go into institutions or they are going to die, would have been fed anywhere near in time to do them any good.

In fact, I think it is good to point out that we are not saving money by putting people in a situation where they have to go to hospitals or—

Mr. PANETTA. That is right.

Reverend ROWE. I mean it is just crazy. It is almost as crazy as the amount of money we are spending on the arms race.

Mr. PANETTA. I do not know—I think that is one of the things we have been trying to impress upon people who think that this is the place to find savings. Particularly with the studies that have been done on the WIC Program, the Supplemental Women, Infants and Children Nutrition Program which has substantiated time and time again that for every \$1 we spend on that program we save \$3 in health care costs.

Because if obviously a mother who receives adequate nutrition has a better chance of having a healthy baby——

Reverend ROWE. Absolutely.

Mr. PANETTA. And if that is not the case, then we have to ultimately pick up the bill for the costs of taking care of what may be a handicapped child and so it just makes sense to make that kind of investment.

You do not save money ultimately in the long run.

Reverend ROWE. There is one unspoken thing that I assume we would all say if this—except for the hearing is focused on food. We obviously believe that for those people who can and are standing in those lines waiting for a job, food stamps is the next best thing, OK, it is not the best thing.

The best thing is to allow people to use their creativity and earn money and provide for their own food.

Mr. PANETTA. Yes.

Reverend ROWE. Food stamps is the next most liberating thing you can do for a person. And to be moving out of that for reasons having nothing to do with people's dietary needs, well, it is insanity.

Mr. PANETTA. Yes; I am always reminded of the testimony we received in Alabama. A rural farmer came in and testified about hunger in rural areas and said, there was an old saying that rather than giving him fish to eat, he would rather have a fishing pole and a hook to be able to find the food. I think it is a very important statement. I sometimes get these comments that people somehow are going to soup kitchens and food pantries because it is free food and it is convenient and they can—you know, it is kind of a rip off.

And to people who say that, I ask them to go to a soup kitchen or to a food pantry and stare people in the eye and see the depression and frustration of the people who are there. That is the last place they want to be. They would much rather be in a productive job, they would much rather be out there taking care of themselves.

People who say that—I do not think they have ever really taken the time to actually visit a soup kitchen or talk to the people who are there.

Thank you all for your testimony. I appreciate it very much for the information you have provided.

The final panel is Dr. Richard Smith, who is with the department of OB/GYN, director, Young Adult Obstetrical Clinic at the Henry Ford Hospital here in Detroit. Dr. Elizabeth Gordon, who is an assistant professor of pediatrics and human development with Michigan State University and also director of research with the Hurley Medical Center in Flint, MI, and Ms. Helen Siudara, who is a registered dietitian with the nutrition services specialist in the Area Agency on Aging for Southfield, MI.

One of the things we have always wanted to focus on is the importance of nutrition to health care. And one of the more depressing facts that tells us whether we have adequate nutrition or not are the facts we receive in terms of health consequences.

We had several studies recently that indicated a growing problem with children in terms of some low weight births and increasing infant mortality in some areas. The reports link those growing statistics to lack of nutrition. We have not seen that kind of rise in those areas over the last 10 years in some areas and they are beginning to be on the increase now and that is of concern.

That is why at each of our hearings we like to focus as much as possible on the health implications of nutrition.

Dr. Smith, if you would proceed. Thank you for coming.

STATEMENT OF DR. RICHARD E. SMITH, DIRECTOR, ADOLESCENT PREGNANCY CLINIC, HENRY FORD HOSPITAL

Dr. SMITH. Mr. Chairman and members of the subcommittee, I am Dr. Richard Smith, I am an obstetrician and director of the adolescent pregnancy clinic at the Henry Ford Hospital. I am also a fellow of the American College of Obstetricians and Gynecologists and a part of the clinical faculty at the University of Michigan.

I thank you for the opportunity to present my experience as a clinician who deals daily with the problems of malnutrition, low birth weight, and the threat of infant mortality.

Infant mortality is a serious problem in the United States. Out of every 1,000 infants born in this country, 11 will never live to see their first birthday. Michigan is one of the few northern States where the infant death rate is above the national average at 11.7. In Detroit as in other large urban areas the infant death rate is twice the national average at 21 per 1,000. In some neighborhoods it is triple the national average or 33 per 1,000 which is greater than post-World War II Europe where conditions of starvation and malnutrition existed.¹

Low birth weight is a leading factor in infant mortality. An infant born weighing less than 5½ pounds is also twice as likely to suffer one or more handicaps including learning disabilities and mental retardation.² Poor maternal nutrition is a factor causing low birth weight. There is also a correlation between inadequate weight gain during pregnancy, low prepregnant weight, and the occurrence of low birth weight infants.

Williams Textbook of Obstetrics states that "the failure of a pregnant woman to gain weight is an ominous sign."³ The benefit of proper nutrition during pregnancy is very well documented. Increased maternal weight gain is related to higher infant weight and a decrease in perinatal mortality. Prenatal dietary supplements lead to increased birth weight. Furthermore, women who participate in the WIC Program specifically, have longer pregnancies and fewer premature births. The American College of Obstetri-

¹ Preventing Low Birth Weight, Institute of Medicine National Academy Press, Washington, DC, 1985.

² Prenatal and Perinatal Factors Associated with Brain Disorders, Freeman, Editor NIH Publication No. 851149 April 1985.

³ Williams Textbook of Obstetrics, Pritchard, et al., Appleton-Craft. 17th edition, 1985.

cians and Gynecologists has established guidelines to determine malnourished mothers and recommends supplemental food service to those mothers.⁴

In the city of Detroit at Henry Ford Hospital, we conducted a special program for pregnant teenagers. This program supported by the March of Dimes, utilized prenatal education, nutritional counseling, and appropriate referral to supplemental food programs, such as the Focus: HOPE Program and WIC. During the last 6 years we have been able to reduce the neonatal mortality for this age group from 26 per 1,000 to 8 per 1,000.⁵

The need for supplemental nutrition can be demonstrated in this high risk group of pregnant Detroit teenagers. Approximately 88 percent of teen mothers whose ages range between 13 and 18 are clinically malnourished. The main indicator is the prevalence of anemia in this group. A mother who is anemic is twice as likely to have an infant of low birth rate and the neonatal mortality for low birth weight infants has increased eight times.

Supplemental Food Programs, such as Focus: HOPE and WIC, have four major perinatal benefits:

First of all, they enroll patients in prenatal care programs. This is an indirect yet positive spin-off effect of the Supplemental Food Programs, for they identify and capture that segment of the population which is at risk for no prenatal care and by enrollment has an indirect effect of saving lives.

Second, they directly affect the improvement of a pregnant woman's nutritional status. The Institute of Medicine in its report, "Preventing Low Birth Weight" recommends that "Nutritional Supplementation Programs be a part of a comprehensive strategy to reduce the incidence of low birth weight among high-risk mothers."

Third, they provide nutritional education which in turn promotes health care. As you pointed out, for every \$1 spent on WIC, \$3 or more can be saved in medical care services.⁶

And finally, women enrolled in WIC have longer pregnancies and fewer preterm births.

Our goal must be the prevention of low birth weight babies. The impact of malnutrition, however subtle, may make a significant impact in the short term—resulting in neonatal death—as well as the long term—that is, poor learners, school dropouts, and so forth.

The effect of nutritional deprivation in the neonatal period is catastrophic. The result being failure to thrive, mental retardation, and poor general health.

The poor are already economically handicapped. We should not create the condition where the children will be intellectually handicapped as well. If we do, they will be destined before they reach the age of puberty to fail in life.

⁴ Guidelines for Perinatal Care, American Academy of Pediatric, American College of Obstetrics and Gynecology, March of Dimes, Washington, DC, 1983.

⁵ Impact of a Comprehensive Adolescent Pregnancy Program, Richard E. Smith, Abstract District V, American College of Obstetricians and Gynecologists, 1985.

⁶ Infant Mortality, Southern Regional Task Force, Washington, DC, July 1985. Prenatal Care a Healthy Beginning for Michigan Children, Michigan Department of Public Health.

A reduction in the Supplemental Food Programs will then fuel the cycle of poverty by depriving children intellectually either before they are born or during the early developmental years.

The final question we must ask ourselves is would we allow our pregnant wife or daughter to go through a pregnancy malnourished? That question is appropriately answered, "No."

Thank you very much.

Mr. PANETTA. Thank you very much, Dr. Smith. Dr. Gordon.

STATEMENT OF DR. ELIZABETH F. GORDON, ASSISTANT PROFESSOR, PEDIATRICS AND HUMAN DEVELOPMENT, MICHIGAN STATE UNIVERSITY, AND DIRECTOR, RESEARCH, HURLEY MEDICAL CENTER

Dr. GORDON. Mr. Chairman, hello from Flint, MI. I am Elizabeth Gordon, an assistant professor of pediatrics and human development at Michigan State University in East Lansing, and director of research at Hurley Medical Center, Flint, MI. I appreciate this opportunity to share with you findings from our research on failure to thrive among infants in our community.

Failure to thrive is a pediatric and mental health disorder to infancy that is characterized by growth failure from unknown causes. The most widely accepted definition for failure to thrive is a condition occurring in children 2 years old or younger with body weight at or below the fifth percentile or a consistent drop in body weight on the National Center for Health Statistics growth charts.

Serious developmental disturbances have been identified in these infants. These disturbances can have devastating consequences for later emotional, behavioral, and intellectual development. Studies have reported from 40 to 100 percent of infants with failure to thrive are later found to be mentally retarded.

The precise causes of FTT are unknown, however, the disorder is known to occur more frequently among children living in low-income families.

The research was conducted at Hurley Medical Center, a Michigan State University affiliated teaching hospital and regional referral center for Genesee, Lapeer, and Shiawassee Counties. The studies include data from 1978 to the present time.

Results of three studies will be very briefly presented. The purpose of study one was to determine if growth in infants would be related to the economic conditions of a community. We proposed that as unemployment increased, growth failure among young and rapidly growing children would also increase.

The study included children 2 years old or younger who were admitted to Hurley Medical Center during a 5-year period—1978 to 1982—with a diagnosis of failure to thrive.

The major findings included the following:

First, there was a steady and significant increase in cases of failure to thrive during the study years—that is 26 cases in 1978 compared to more than 100 percent increase of 53 cases in 1982.

Second, this increase closely paralleled the rising unemployment in the area.

Third, the rate of unemployment for the families of the children studied, showed the same general trends—that is 41 percent of

these families were unemployed in 1978. It rose to 66 percent in 1982.

Fourth, there were no significant racial differences found—that is approximately equal numbers of black and white children were affected.

Fifth, there was evidence to suggest that very few of these children were involved in Federal nutrition programs—such as the WIC Program.

While it is not proposed that all or even most children with failure to thrive were admitted to Hurley Medical Center, the investigators suggest that the increase found here reflected an increase in the community at large.

The second study was conducted to evaluate growth of young children seen in pediatric outpatient clinics at Hurley Medical Center.

All children again 2 years old or younger who were seen as outpatients during the year 1983 were included.

Results included the following:

First, failure to thrive was found in 169 of these children. This represented 18 percent or nearly 1 in 5 of the 938 children seen in this age group.

Second, the reason for the clinic visit in the FTT infants was typically an acute problem such as fever and not a concern for poor growth.

These findings demonstrate that an alarmingly high percentage of children seen in the pediatric clinics are not growing normally. Additionally, the pediatric clinic appears to be an excellent screening site for the identification of some failure-to-thrive cases.

Preliminary findings from the third study that is in progress at the present time include the following:

First, most children with growth failure are living in impoverished families, that is, greater than 90 percent are making less than \$5,000 a year.

Second, mothers frequently do not understand how or what to feed their children. One case, for example, involved a mother who was feeding her baby nondairy creamer. The product was commercially made up to look like milk and was in the dairy case. She mistakenly thought that she was feeding her starving infant milk.

Third, most failure-to-thrive infants are not involved in the WIC Program.

Fourth, some failure-to-thrive infants are in the WIC Program and still fail to grow normally.

In conclusion, I would like to point out that while there are apparently many causes for failure to thrive in young children, the most probable primary cause is in the lack of adequate nutrition to support normal physical growth. Based on this assumption, the task becomes one of getting enough of the appropriate diet into these children.

Based on our findings at the present time, intervention strategies that will be implemented and evaluated in the next phase of the research include:

First, educational programs to reach caretakers about feeding children.

Second, modeling programs where effective child-care behaviors are modeled for the mothers in their homes.

Third, therapy programs to offer counseling to depressed mothers.

Fourth, referral to appropriate community services for specific needs.

Thank you.

Mr. PANETTA. Thank you very much. Ms. Siudara.

**STATEMENT OF HELEN A. SIUDARA, NUTRITION SERVICES
SPECIALIST, REGION 1-B, AREA AGENCY ON AGING**

Ms. SIUDARA. I am Helen Siudara, the nutrition services specialist at the Region 1-B, Area Agency on Aging.

Senior citizens across the country currently receive nutrition assistance through the Federal Older Americans Act. This aging network provides congregate and home-delivered meals to older adults, 60 years of age or older. The nutrition programs depend heavily on the U. S. Department of Agriculture [USDA] surplus or bonus commodity items and the cash-in-lieu of commodity programs for support of the senior citizens' nutritional needs.

Area 1-B serves the six counties immediately surrounding Wayne, including Macomb, Monroe, Livingston, Oakland, St. Clair, and Washtenaw Counties. The senior population of this region numbers close to 330,000 older persons. The support in dollars from the USDA cash-in-lieu program represents as much as 30 percent of the total nutrition budget needed to service both congregate and home-delivered meals in the region. The reductions in USDA reimbursement from adjustments in the fiscal year 1985 Federal budget will result in a 13.52-percent reduction in 1986 fiscal year. This was the first round of cuts that Reverend Rowe remarked to. There will be additional.

An additional 4.3-percent reduction will be instituted March 1, 1986, from the effect of the Gramm-Rudman legislation on the older Americans dollars, and a third round will come to any further fiscal year 1986 reductions in the USDA budget. For senior citizens, these cuts mean meals they desperately need, but will never receive.

On the last page of my testimony are numbers of individual meals served through our agency over the past 3 years. The first section reports the number of meals and seniors at congregate sites. These sites are locations where seniors meet in a group setting for a hot noon meal which provides one third of the required daily nutrients as specified by the USDA RDA's.

[Chart.]

The number of low income seniors served represents an estimated number, since the Older Americans Act directly prohibits the usage of any means test to determine actual income status. My personal experience in recently assessing this process of identifying low income seniors indicates that the actual low income numbers are quite a bit higher than the numbers reported from the nutrition sites. Many older adults feel, as a matter of pride, that they do not want people to know their actual financial situation. I think this affects their food stamp data as well.

Because of this preference to keep income information private, the estimate of the number of low-income persons served is unrealistically low, maybe almost as much as double it.

If you look down the chart for congregate meals, you will notice that in fiscal year 1985 we reduced the number of congregate meals to allow for a transfer to the home-delivered meals category. We did this to respond to the increasing demand from seniors and referral sources for more home-delivered meals. This increased demand is a direct result of the earlier hospital discharges with the new Medicare prospective payment system of diagnostic related groupings, or DRG system. Prior to October 1983, which was the time that the phase-in of the DRG started based on the hospitals fiscal year, none of the nutrition projects in Region 1-B had a waiting list for home delivered meals.

By 1984, we had begun to transfer meals from congregate to home-delivered, in an attempt to keep up with the increasing needs. We continued this transfer process in fiscal year 1985 but, currently there are waiting lists in all six counties of Region 1-B and we are not unique among the counties in Michigan or the States in the Nation.

Nutrition projects report being told by hospital discharge staff and other referral sources that without meals these seniors will die. It is exactly as Reverend Rowe said. You call your waiting list and so and so has died. It is not hard to imagine the frustration of service providers faced with these critical needs and are not able to respond because of the severely limited funds.

We coordinated with other agencies in our locales in order to try and meet the central needs of older persons. In Oakland and Macomb Counties we coordinate cooperatively with Focus: HOPE Senior Food Program to identify targeted areas to serve low income seniors, and to develop coordination between congregate, home-delivered, and Focus: HOPE meals. We have been trying to stretch it as much as possible by trying to get them to new and different seniors. It is not working totally though. There are too many needs.

We have also contributed to an assessment of hunger and the nutritional needs of pregnant women, children, and the elderly in Oakland County, which was done by the Food and Nutrition Subcommittee from United Community Services of the Metropolitan Detroit/Oakland Division. Paula Shoecraft from UCS has submitted this to your Washington address for you to be able to review.

Seniors currently receiving home-delivered meals are sicker and older than at any time in the previous 10 years. It is not unusual for the nutrition projects to have to inquire about a medical condition which make a 94-year-old eligible for a meal, since advanced age, of itself, does not qualify. Home-delivered meals are often the single most important factor that keeps seniors out of nursing homes and other institutional settings. The meals also assist families where members are working at daily jobs, by allowing them to keep the older family member in his or her home.

With a daily meal provided during the week, members can often provide the additional assistance on weekends and holidays. Often family members supporting the 80- and 90-year-olds are 60 and 70 themselves. Frequently, these 70-year-old children are on the limit-

ed incomes and disabled themselves. The home-deliveries try to support this entire system.

Father Cunningham is right. There are people outside of Wayne that are hungry and in Oakland County, Pontiac, Macomb County, and Mount Clements. This situation becomes desperate.

We who are in the front lines need your help desperately. If we are going to be able to try and assist seniors in getting the meals they need, I urge you to not allow needy older people to be the victims of Federal budget cutting, and to protect the USDA reimbursement levels for the cash-in-lieu program.

Thank you.

[The attachment follows:]

AREA AGENCY ON AGING 1-B
 SENIOR NUTRITION SERVING LEVELS
 FISCAL YEARS 1983-1985

CONGREGATE MEALS

FY	# of SENIORS	# LOW INCOME SENIORS	TOTAL NUMBER OF MEALS
83	18,107	10,229 - 56%	1,004,023
84	23,666	14,090 - 60%	1,105,542
85	18,077	11,166 - 62%	1,041,786

HOME DELIVERED MEALS

FY	# of SENIORS	# LOW INCOME SENIORS	TOTAL NUMBER OF MEALS
83	3,152	2,365 - 75%	606,284
84	3,562	2,490 - 70%	637,573
85	4,201	3,308 - 79%	745,161

Mr. PANETTA. Thank you for your testimony.

Dr. Smith, in your testimony—in terms of teenage pregnancy—your statement is that approximately 88 percent of teen mothers between 13 and 18 are clinically malnourished. Malnourishment, sometimes we run into this problem. Malnourishment is defined in a number of ways. Sometimes people who poorly select food and others from just a lack of food.

Can you give me some indication of what the basis is for the malnourishment that you describe here?

Dr. SMITH. You talk about malnourished adolescents. You look at it basically from a standpoint of—and in this particular study, their anemia. And their anemia—I am not talking about a transient sort of condition which may be related to pregnancy itself. We are talking about kids who come in there with hemoglobins less than 10 who have had conditions of chronic malnutrition. Things that have occurred up until the point of their pregnancies.

Sometimes in pregnancy we will see the blood count drop. That is a physiologic problem, but with the adolescents who come from an environment which we pull out of census area No. 9 in Detroit, they have a chronic condition which has been going on throughout their childhood. And they are in an environment which perhaps leads to a teenage pregnancy and that is how we get them in the system. This is sometimes the first time we have detected such problem as anemia.

Anemia is a significant parameter for malnutrition because it does lead eventually to low-birth weight in a high number of these kids but also these patients who have anemia will often present later on with chronic infections, urinary tract infections, have to have hospitalization because of premature ruptured membranes, premature labor, polyarthritis, those type of medical conditions.

If they have to have things such as caesarian section, those patient are further at risk for developing postoperative infections which may lead, down the line, to prolonged hospitalization and again, additional health care costs. So it is an important parameter.

Mr. PANETTA. Let me be more specific because colleagues of mine who will participate in these hearings would have asked this question and I feel like I have to ask it as well because I think it is an important one.

Some would say that type of malnourishment is due to poor food habits. In other words, kids who go out and eat junk food or candy bars as opposed to a lack of adequate food in the home to provide a balanced diet. And so, my question is, When you describe the malnourishment, can you tell me what it is related to? Is it related to just poor food habits or lack of food?

Dr. SMITH. I think it is a combination of both and it is difficult to separate the two things. Undoubtedly, there is the problem—you often will see a 14-year-old with her child from the pediatric clinic and her baby is drinking orange pop and eating potato chips and you question the mother why she is doing that and she says, well, what is wrong with that. That is what I grew up with. I turned out OK, did I not?

Those are some of the problems. It is very difficult to separate that type of situation, when you have poor health habits. Now, es-

essentially what goes on in a lot of nutritional centers is just simply not passing out food. You sit down with the teenager, with the mothers and say, listen, this is how you eat and deliver appropriately.

Just giving out food sometimes is not the total answer. You have to work with them so that you can improve their habits. Otherwise, the food can be prepared in a way which is not beneficial to the mothers.

So again, when patients receive supplemental food programs, it is a broader sense or larger picture where you can bring them into the system, show them there is another way, not only do you feed them, but you show them how to change their lifestyles. So I think again, it is a spinoff of that because you do bring them in.

In terms of breaking down whether this kid is malnourished because she does not eat the right foods, sometimes that becomes unimportant. It becomes important when you term it in dollars but if she is poorly nourished because she is not eating the right things, I think that is just as important.

Mr. PANETTA. Let me ask both you and Dr. Gordon, What you are seeing today, March 1986, are you seeing increasing problems of malnourishment in terms of mothers and are you seeing an increase in terms of low-weight births and infant mortality? What is the situation as of today, if you had to describe it? Dr. Gordon.

Dr. GORDON. In 1985, and that is really medical center, even though unemployment for the city has decreased, we had an increase in cases of failure-to-thrive. We had 4.8 percent of all children 2 and under admitted to the medical center were failure-to-thrive children. That would be epidemic if we were looking at any disease.

Mr. PANETTA. So you are looking at an increase in failure to thrive?

Dr. GORDON. Definitely an increase and the situation is similar in the clinics. We monitor these children year to year, and what I am trying to give you data that I have pretty good analyses of.

Mr. PANETTA. A lot of people are not familiar with the words, "failure-to-thrive." Could you just describe what the symptoms are of that?

Dr. GORDON. Basically, we define failure to thrive initially by using a growth chart and if that child is below the fifth percentile, by definition that child has failure to thrive. And that is usually a body weight definition. Or if the child has been going along and growing OK and then suddenly takes a dip somewhere in the first couple years of life. A consistent dip across and the child is no longer growing well.

That is the situation of failure to thrive. These are children who are severely undergrown by our standards.

Mr. PANETTA. And you are saying you are seeing as what you would describe, a significant increase.

Dr. GORDON. In the medical center and what we have not pointed out here in terms of health care professionals and the health care system is that these are the people who often do not get into health care systems at all. If we see an increase, we think, in the medical center—we think that reflects a huge increase in the community. That most of the children that are failure to thrive are

never seen in the medical center until they have a devastating consequence or some severe problem. And then they are admitted on an emergency basis.

Mr. PANETTA. Are there any other reasons for failure to thrive other than malnourishment?

Dr. GORDON. This would be a hypothesis. In my background of assorted biochemistry and nutrition research, I think that if we can get appropriate tallies in the children who are not overly emotionally stressed, that almost all these children will gain weight, if we consider that is a way to do that.

The situation where a child is in a very stressed household may interfere with metabolism of the nutrients so you get the right foods in and the child does not metabolize appropriately. I think that would be fairly rare. Basically, I think we are talking about intake. Nutritional intake.

Mr. PANETTA. Of the increase in failure-to-thrive children, you made a mention in prior studies that most are not involved in the WIC Program. Is that still the case?

Dr. GORDON. Well, it is still the case until we see them and try to get them introduced to some community services and the WIC Program.

Mr. PANETTA. But clearly the ones you see in the WIC Program, there is a better chance that they avoid that problem.

Dr. GORDON. Absolutely. That is the most effective program that I have ever seen.

Mr. PANETTA. Why is that the most effective program?

Dr. GORDON. It is a program that starts feeding at the right time, I think. If you have a woman who is pregnant and she is fed prenatally, I think that is going to increase her chances of having a better newborn.

It also feeds the child in the critical periods of very rapid growth and development, where these children are most vulnerable to cognitive behavioral and other developmental deficits if they are not fed appropriately, for the rapid brain development and so forth.

It is the first 2 years of life where a child has to feel like interacting appropriately with an environment that is strange at the beginning. If the child does not learn to do that we just see cognitive deficits based on any inability to simply interact well with an environment because that child does not feel like interacting because the child is malnourished.

Mr. PANETTA. Let me ask you the same question I asked Dr. Smith, where I asked Dr. Smith to comment on my other question. What is your experience with the malnourishment issue, is it a lack of food, is it lack of adequate diet, is it lack of proper eating habits, a combination of all of those? What is your experience?

Dr. GORDON. It is really all of the above and one of the previous panelist from a previous panel stated that we really need to look at these children case by case. We do a case study on every individual child. The reasons for the growth failure are very complex. Ultimately, it comes down to, if you look at these children case by case, they are not getting in calories. They are not getting in appropriate calories.

Situations do arise where the mother, for instance, is on the WIC Program, fails to change food over at the right time so the child is

receiving formula at 12, 14, 16 months of age and has never had solid food. So it is definitely a combination of education and making food available. I think one in the absence of the other for a lot of children in families does not make a lot of sense.

Mr. PANETTA. Dr. Smith, a problem on the increase, decrease—what do you think?

Dr. SMITH. I think the problem was really bad a few years ago. We had problems of—not only with adolescents but also adult women. Women, I can take, for an example, one of the patients I was taking care of who was 23 who had a marginal job where she could—which did not provide her health insurance but at the same time, she did not qualify for Medicaid.

We took care of her pretty much free of charge, like a lot of physicians did during that period of time across the State of Michigan. She had a lot of pride, she did not want to go and get supplemental food, she tried to make do and to make a long story short, her baby ended up weighing 3½ pounds at full term. So those are the type of problems that you run into.

It is not as bad as it was 3 years ago, but it is a chronic problem. We see it over and over again. And what about clinics where they are largely Medicaid in an adult clinic population. Again, you look at things such as anemia. These women, 70 percent of them are all anemic. So it is just not a problem of well, they are just kids and they are eating the wrong things. It is something which runs through the population in our community.

Again, these women are responsible for the 2,000 babies which were born of low birth rate in Detroit last year. And these babies were not born in the more affluent community. They were born in certain segments where they are poor, where they are malnourished, where they are not eating right.

With respect to the—again, the eating habits. Third, it is OK to be a teenager and eat junk food if you know you can go home and have a meal which is provided by your parents who are cooking but if you come from an environment where everybody in the household is at a marginal level and they are not eating three square meals or from all of the nutrition groups, and you eat junk food, then you are in trouble.

So we do see teenagers who come from backgrounds who perhaps come into the clinic and their hemoglobins are well, that is that 10 percent of those teens that come from good backgrounds and everything but they come out of an environment where no one is eating properly or have the food available to them and they will suffer and they will not gain weight appropriately during the pregnancy and as a result, unless you intervene and have a place such as Focus: HOPE to send the teen to, you are going to have problems.

Mr. PANETTA. The instances of anemia that you are seeing, is that in anyway related to genes or is it something that impacts solely as a result from malnourishment.

Dr. SMITH. There are people who have sickle cell anemia. Those are unique situations again. The incidence of that is probably about less than 10 percent in that population and in that group we only had two patients who had sickle cell anemia and those were—most of the teens—

Mr. PANETTA. Malnourishment?

Dr. SMITH. Yes; malnourishment.

Mr. PANETTA. OK. On the senior issue that you addressed Ms. Siudara, you have been doing this how long?

Ms. SIUDARA. I have been in aging 2½ years. I have been a dietitian 24 years and saw previously 50 percent of my population, those pregnant women, that Dr. Smith saw and as a person on the other end of that, when you ask the gal that is eating potato chips, you know what, a 30 or 40 cent bag of potato chips is much cheaper than to go out and get enough meats and other things. So often they present with, gee, I am just eating junk food but when you get them there, they will all choose to eat better meals if we can get better food to them; 24 years, I do not want to say that but—

Mr. PANETTA. What are you seeing today in terms of the nutrition of senior citizens that you are serving compared to let us say 2 years ago?

Ms. SIUDARA. I think the community support services were attempting to keep up and we were being able to do outreach in low-income areas which were mandated to do. We were able to increase areas. We were able also to take part of our donated money—the seniors must donate and do donate and that is possible to apply that for transportation.

As the demand for meals comes up, all of that is shrunk and when you shrink everything—I think in one age group we ought to look at reducing and of cutting and dump everybody out into the community and then start to cut us, then we are just peddling to try and keep up, it makes it a disaster out there. My worse fear is that I am going to find an early discharged senior in a room dead.

And one of the functions that the home delivery meal provides is that that person who delivers the meal that Reverene Rowe described, and I do a home-delivered meal route as well, checks on that senior each day so we know if somebody has at least collapsed, cannot get out of the tub, does all that—it serves as a whole support system as well.

I am very very afraid that we are going to find the 87 senior that had the appendectomy that is out in the community in 3 days—that we are expected to help because the nurse is coming once a day. If we do not get meals to them, I am afraid we are going to find quite a few of those people dead.

Mr. PANETTA. How do seniors plug into your operation?

Ms. SIUDARA. Basically the social services fund outreach as well as nutrition. They advertise in a number of ways. I will be frank with you, though, our providers tell us that when they have long waiting lists, they hesitate to advertise because then they get inundated with calls and then they get almost unmanageable lists. So they do advertise.

In the Pontiac area, there is a nice presentation that is done on cable television and is not available at all senior centers. They publish in low income newspapers, they put notices in church newsletters. We are beginning to try and help, as Detroit has, some churches. It is very difficult though to get meals out—the support that we are giving to those churches is only 50 cents a meal.

Mr. PANETTA. How much of a waiting list are you experiencing in these programs?

Ms. SIUDARA. We have the same problem that Focus: HOPE does. You get on the program because of the limited number of meals, when somebody dies. So we probably have, in most areas, 6 months to 1 year. It depends, if on a route that you are on, if somebody dies and I can put you a little more quickly.

Mr. PANETTA. Six months to one year waiting list?

Ms. SIUDARA. Yes. And then when we go back and try and purge this, it is very discouraging because a lot of those people have died, or are in nursing homes. That is more costly. If we can keep it in the community, it will be cheaper.

If you will just not cut everything out from under us at the time.

Mr. PANETTA. So the only way you are able to get to someone who is waiting is if somebody else dies?

Ms. SIUDARA. Yes, we have only so much money to fund so many positions. We transferred all we can out of congregate into home delivered. The congregate sites allow one to get food to an isolated area, then meals are packed for home delivery and also the congregate people—seniors provide the background for a whole voluntary delivery system that gets no reimbursement whatsoever.

You know, the senior says I will take this route on and I will do 10 meals today. The system is very fragile and it is being stretched beyond what anybody ever planned. I think when the aging network was formed 10 years ago, nobody anticipated that seniors were going to be 80 and 90 and still in their homes and there was not going to be the number. And then you put the stress of the early hospital discharges on it and it is just almost to the collapse point.

Mr. PANETTA. When you pick up a client who has been waiting in that situation, what do you generally find? What has that person been living on? How have they been surviving?

Ms. SIUDARA. What we find going in is that seniors have very little in their homes. I think that is that the assistance with Focus: HOPE brings in as well as the coordination. We find that seniors live, in some instances, we put in a hot and a cold sack lunch. Most seniors tell us it is all they eat during the day. If they eat something else, it is toast and water—

Mr. PANETTA. That meal you provide?

Ms. SIUDARA. Yes; and it is only one-third of the RDA which is why we screen so much. It is the only chance we have to get it in.

They cannot get out to shovel—the people on my route during one of the heavy snowstorms, I was frightened that we could not even get ambulances in there. So the entire system has gone down.

They do not have food, they cannot get out of their houses. It is really not accessible even to get a bus up and down. The houses are in disrepair. It depends on what kind of a support system they have around them. If they have a fairly well-defined extended family around them, then maybe we can get people coming in on weekends and the system is a little less fragile.

If we have family that lives in Arizona and California and everything else, I mean the senior is out there by themselves.

Mr. PANETTA. How many seniors do you serve now?

Ms. SIUDARA. We serve about 2 million meals a year and I think, on this last page, we are able to get about 20,000, 30,000 seniors.

Mr. PANETTA. 20,000 or 30,000 seniors?

Ms. SIUDARA. Yes; some of the old Americans have money.

Mr. PANETTA. I understand. And how many would you estimate are out there on waiting lists?

Ms. SIUDARA. I was just talking to Nutrition project in Pontiac yesterday and I was asking them. The only information we retain on needs are waiting lists. And I was saying that when you discourage people in their calling from getting that waiting list, we do not know. I think there might be double. It gets so that if you are frail and elderly in Marmington which is less low income, I do not push the projects as much to push those people on. It is terrible.

They still have the same need. They could pay for the care. There is no service out there other than that but what can I do. So I say, I want to make sure that Royal Oak Township and Pontiac and Mt. Clements—I think have to—I have to say that those people are at the greatest risk. So it doubles.

Mr. PANETTA. So you are saying there is another 20,000 to 30,000?

Ms. SIUDARA. Yes; given the idea that no matter how much we transfer into home-delivered meals, it only last for a month or two and then I have got this big list.

Mr. PANETTA. I understand.

I have been joined by a good friend and colleague, Congressman Levin from this area and I appreciate your coming by. Do you have any questions you would like to ask?

Mr. LEVIN. No; I might point out briefly I think our next witness is here. That in the testimony it indicates that the waiting list exists for all of the six counties, within the region.

So that people should not think that is a problem that is confined to any particular area within the Metropolitan Detroit area. We held a number of hearings in sites in the last couple of weeks to look at what the potential impact might be of the proposals in the President's budget. We found as the seniors, veterans, whatever, that many of these cuts were going to hurt deeply, not just in one area but across—very much across city and county lines. And I think therefore, that this hearing is especially important.

I was asked as I was coming in what might be the significance of the hearings here. I think one point that the chairman undoubtedly omitted in his introductory remarks is that in addition to the chairman of the subcommittee being the Chair of this subcommittee, he also is particularly active in budget battles in Washington. He is one of the, I would say, two or three most knowledgeable people within the House in the budget area, in this area, but all areas.

I think that gives a special dimension to this hearing. I might also indicate that one of the people I missed as I was flying in from Washington was the city counsel president, Erma Henderson, who left her testimony. I understand there is also testimony from other witnesses and I would then ask if this is necessary that Counsel President Erma Henderson's statement be entered into the record along with the others.

Mr. PANETTA. Without objection, her statement will be made part of the record. We have a number of other statements that will

also be made a part of the record. So those, as I said, who want their statements as part of the record, the record will be kept open for 10 days for that purpose.

Thank you very much.

[The prepared statement of Ms. Henderson appears at the conclusion of the hearing.]

Mr. PANETTA. Yes, Dr. Smith.

Dr. SMITH. I just wanted to go back to one point. The one about, is it getting worse at all. It was bad a few years ago, it was very bad a few years ago and we could not meet the needs at that time. One thing that also happened a few years ago is that for the first time since World War II, the infant mortality rate went up in Michigan. It has never happened like that before. If we were to reduce programs or eliminate programs right now, the effect would be catastrophic. We are dealing with a very serious problem now. We do not want it to get worse. We should not lie about these programs.

Mr. LEVIN. Can I just ask you as you leave that one question, there has been some controversy over these infant mortality figures.

Dr. SMITH. Certainly.

Mr. LEVIN. You are persuaded that there was indeed this real and it would be tragic increase in the infant mortality rate here in the last years—

Dr. SMITH. Oh yes, I am definitely convinced about that. There were 551 babies who died in Detroit last year before they were 1 and that is just about as many people as you have in Congress.

Mr. LEVIN. It is a graphic way to put it.

Dr. SMITH. So, I think that it is a definite problem. It is a profound problem here. You see babies who survive—only the expertise of the people who work in the neonatal intensive care units who can pull these babies through. So it is a big problem that we see. Detroit is twice as high as you will find it anywhere else in the country.

Mr. PANETTA. Thank you again. Thanks to all of you for your very very excellent testimony. And I think again, confirming the kind of facts we have been able to find in other areas with regard to the relationship between nutrition and the health impact of a lack of adequate nutrition.

I might mention that testimony may be submitted for the record by William Lucas, a Wayne County executive, Robert Guerrini, who is director of the Food Industry Counsel, Dave Calin, who is a sociologist at MSU, John MacInnes, who is with United Community Services, and Counselwoman McCaffey with the city of Detroit.

Mr. Bernard Parker, who is director of Operation Get Down, Stuart White, who is the legislative director of the Michigan Office of Services to the Aging, Shayna Rumpa, who is a volunteer with Wayne County Welfare Rights, Mr. Ron Seigel, who is with the United Community Ombudsman Organization.

I apologize that we do not have adequate time to be able to hear all of the testimony. The way we prepare these hearings is to allow for a certain number of people to testify so that we can get out into the field and actually see operations up close. We could obviously spend a few days just hearing testimony. I also think it is of benefit

for the subcommittee to actually see the operation in effect. For that reason, everywhere we have gone we have actually visited soup kitchens and food pantries to try to see these operations closely and talk to the people who are the beneficiaries of these programs.

Sometimes in Washington you can hear a lot of testimony, but you do not see how these programs work, so I think there is something to be said for that.

Governor Blanchard, welcome to our hearing and we appreciate your coming, my dear colleague. We miss you in Washington and obviously as Governor, you continue to visit the city and see it from a different perspective and enjoy the weather there as we enjoy the weather here in Detroit, those of us particularly from California.

But I want to thank you for taking the time to come. We received some very interesting testimony from the people that are directly involved with these food programs. I think you have done an awful lot to try to address the issue and I appreciate your taking the time to come and make some comments.

STATEMENT OF JAMES BLANCHARD, GOVERNOR, STATE OF MICHIGAN

Governor BLANCHARD. Well, Mr. Chairman and Congressman Levin, I want to welcome you to Michigan. You have heard statements and testimony, facts and figures about hunger and malnutrition in Michigan and the need for study and improving the Federal effort.

I do not have to repeat the obvious. You did not have to come to Detroit to know there is a problem in Michigan. It is a problem.

I am here just to thank you for being here and caring enough to worry about whether people who are in need or are suffering or hungry are getting any attention at all or just a proper subtle effort.

I also want to thank you and your committee, with the support of many like Congressman Levin, Congressman Crockett and others, for understanding that even though there is a national recovery of sorts, and in Michigan an economic comeback, that there are still an incredibly large number of people who are down and out, who are homeless, who are hungry, who are in need.

Many of them children, elderly, handicapped, and not just in Detroit. There is a myth in America that the problem is only in Houston, Atlanta, Los Angeles, New York, or Detroit. It is true in Marquette County, 600 miles away, in Michigan as well as it is true in Florida. It is a national problem.

As I think you know, Michigan has undergone a remarkable resurgence in its finances and its economy.

In its job picture, for example, 200,000 fewer people are on assistance now than before. Our job growth in Michigan is 2½ times the national average. As you also know, we are solvent. We do not, however, have the kind of financial power to address things like food and hunger in a sufficient way.

We do have an aggressive economic development program. We understand that jobs and education are the major responses we

need to unemployment, hunger, starvation, and suffering. But it is not enough. There are still many people, who through no fault of their own are totally and completely unable to work or are too young to work, for that matter, who need help.

For that reason, even though our finances have been straightened out and even though our job growth in Michigan has occurred at a fairly impressive rate and the caseload, the number of people on food stamps, is at the lowest rate in 5 years in Michigan, the thrust is we still have had to increase our emergency needs programs in Michigan.

My proposed budget not only increases emergency needs but it increases the meals to the elderly and a number of other programs designed to combat infant mortality and support for local school districts. Today, receiving a \$70 million settlement from Exxon, half of which we are directing to home heating assistance for the poor which then allows other assistance for them to be freed up for such things as food and shelter.

The fact remains despite all the economic progress that may be occurring, whether it is short-lived or is of a long-term nature, America is still a nation of many hungry people and so is our State.

I am here to thank you for caring enough to come and have what I understand is one of eight hearings around the country. I am here to thank, on behalf of the people of Michigan, you, Congressman Panetta and your colleagues for making sure that the Food Stamp Program was not gutted or hampered or curtailed last year, and of course to urge you to make sure it is secure.

You may know, and I think in fact, one of the principal authors of this report Shirley Powell is here.

The State, through a committee, documented the hunger and nutritional problems in Michigan and made some conclusions. I want to make sure you have a copy of this for the record. I think it is solid. It also does conclude that, for better or for worse, the Food Stamp Program is still the single most effective program in dealing with hunger and therefore, I think this committee, if it had a chance to evaluate this work, would say, thank you very much.

[The reports are held in the committee files.]

Governor BLANCHARD. I also know that you are going to be visiting Focus: HOPE. I hope to join you to do that. They do a great job, not only in feeding people, and I understand they have a waiting list to feed people—is that right, Father Cunningham?

Mr. PANETTA. Something like 15,000. [Laughter.]

Governor BLANCHARD. And that is true with other programs, public, private or a combination. But they also do a great job in things like job-training and we support them. The State supports them and they have substantial private sector support. Their efforts are why I nominated Father Cunningham of Focus: HOPE for Humanitarian of the Year award. Indeed, he was the recipient of that award representing Focus: HOPE at the National Governors' Conference last year. So, we will have a chance to look at their activities and please understand, there are many other organizations like theirs that are working very hard but they do need help and support.

Rather than channel money to Nicaragua or Mexico—I have been through it all as a Member of Congress—we are just glad that you are willing to remind the people who make budget decisions in Washington that the most important element of our national security is a group of citizens who have food, shelter, hope, and opportunity. Thank you.

Mr. PANETTA. Thank you very much.

If I could ask you briefly, there is an effort now at the Presidential level to look at welfare reform and the implications to welfare reform. You had the advantage of seeing it from both sides, both the Washington perspective as well as the State perspective, if you are looking at the range of Federal programs we deal with, could you just give us some guidance as to where you think our attention ought to be directed in terms of welfare reform for this range of programs targeted at the poor. What would you recommend as the main areas for attention?

Governor BIANCHARD. That is an awfully big question. After all is said and done, the President's budget increases military and Pentagon spending by the same amount it cuts things like food, health care, job training, and education. So it is a sham. It does not do anything about the deficit which had to be done.

It simply shifts support from the investment in people to a little bit more hardware for the Pentagon. I am speaking as someone who voted for most of the defense budgets when I was in Congress, but I also know they cannot spend the money fast enough. I know that. That overall policy statement is an ominous sign for the future. I would also say, that generally speaking, Federal programs have so many strings to them, based on justifiable concerns by Members of Congress and the administration, that there is not enough flexibility to make them work.

For example, the Job Training Partnership Act. We Governors like that act because we have a chance to target and shape job training which is extremely important. Focus: HOPE work, for example, has been supported with some of that money.

But the requirements are such that programs receiving the money have to show a high degree of success in placing people, which tends to force the programs to serve the easily servable, that is, a dislocated worker who has a lot of skills rather than a disadvantaged worker or a hard to serve worker who may need a much more comprehensive effort for help. It has the effect of offering incentives to States and private agencies to serve those who are easily servable.

We in Michigan, by the way, have reduced our error rate in the area of food stamps and Medicaid to an alltime low and we have had an enormous lobbying effort to make sure that Federal laws that deal with the error rate were dealing with serving people not simply compliance of HHS paperwork. We were finding out that the so-called error rate standards did not reflect a fraud or abuse. They reflected upon degree or deviation from HHS regulations and we have had some help on that. We are grateful for it.

Those are a couple of examples. I tend to take a comprehensive approach, and it bothers me that we in Michigan would have gone through an enormous financial struggle to end a decade of deficits and a lot of political turmoil offering some record increases in edu-

cation, in job training, and programs like summer jobs for kids, or expansion of student loans and then find that the administration in Washington is working against us.

At this point, the proposed policies of the Republican administration operate as a drag on Michigan. And we do not appreciate that. I think most Governors feel the way that I do, regardless of party. But I also know that you are more conversant with the particulars of some of these programs and I frankly trust your judgment on how to handle it.

Mr. PANETTA. Thank you. Congressman Levin.

Mr. LEVIN. Just briefly. I think your statements have made it clear that—and you embody this, that we take pride in the progress that we have made in this State but at the same time be concerned about those who have been left out.

That is not inconsistent. Both are necessary. And let me ask one last question about the importance of Federal-State partnership. I feel often it is not understood that some of the programs that the State operates have Federal support. For example, the proposal to slash the Work Incentive Program—What that would mean here? Or the summer youth funding, to cut it by at least one-third. Just if you would, and then to impact on food programs.

You have such depth of experience in Washington here. If you will just comment briefly on your view of the importance or not of maintaining this partnership.

Governor BLANCHARD. Well, I think it is critical. If we are going to return to an era of State's rights, I think we will find in many areas it will be an area of State's neglect. And the reason is that most States, including Michigan, have nowhere near the resources, financial or otherwise, that the Federal Government has.

The notion that we would have State food policies, 50 States with different food policies, is like having 50 individual energy policies or 50 different foreign policies. The fact is that the world is getting smaller. We are in a global race for economic strength and we are certainly in a national and a global quest for human compassion. Now to see this Government in a time when the world is getting smaller, encourage, and try to force the States to pick up a number of responsibilities in the name of federalism—but in reality because of the Federal financial mismanagement—would be tragic.

When the Governors met with the President and his Cabinet in the White House about a week and a half ago, the basic message was they would like to cut programs and transfer the responsibility back to the States; implying that we ought to raise tax increases.

Forty States did raise taxes during the last recession. Fifteen States right now, not including Michigan I might add, are in a position of finally having to raise taxes for their budget cutbacks because they happen to be energy producing States, mining and timber States, or farm belt States.

I would hate to think, if the Federal Government decides to walk away from investing in people and in our future, I hate to think what kind of country we are going to have. Let me give you one example, half of the job training money that Michigan spends for job training is Federal money.

Mr. LEVIN. That is understood.

Governor BLANCHARD. I have increased our student assistance programs here in Michigan by 60 percent over the last 3 years, K-12 education by 50 percent, and support for higher education by 40 percent.

But it does not help all those areas which are earmarked for cuts by the Republican administration in Washington and with the help of some Democrats—have to be bipartisan here, even though we do not have any Republicans here this morning, I think it is only fair to say there are some who help them out.

Contrast that with my lifetime at least and yours.

The Federal Government, from the time of the Depression until 1980 perhaps, attempted to play a major role in addressing national issues. Whether it was student loans, then called the National Defense Student Loan Program, which was developed by the Federal Government, or whether it was the FHA which pioneered the low downpayment mortgage, or whether it was to the National Science Foundation investing in research and technology and ideas for our universities, or whether it was the space program which literally catapulted our technology into the next century, or whether it was increasing the share of Federal support for education, or whether it was addressing the problem of hunger to the Food Stamp Program, or to rural or Federal water policy. The reality is that the Federal Government had this role despite all the rhetoric of free enterprise which masks what went on.

The Federal Government has been historically a major investor in the future of our country, in people, in their opportunities, in their health care, in their housing, in their universities, in their training programs, and in their children. I think public investment as a moral act, from creating land grant universities right down to the Job Training Partnership Act and student loans has been one of the major reasons why we have a great country.

A country that gives people the kinds of opportunities they still do not have in Europe or the Philippines or in Afghanistan or China. That is what has separated us. And what worries me about the Federal financial mess is that the investment in our future will not occur. Taxes will all go for interest on the debt or for an incredible Pentagon buildup which has not put us any closer to peace—you know that. We are farther from peace than we were 5 years ago.

Racial divisions are greater than they were 5 years ago. And the permanent underclass I am sure everyone talked about is more rigidified than it was 5 years ago. And the investment in things like education and universities is less than it was 5 years ago, from the Federal point of view. And I think the lack of Federal investment policy in the future of America and its people will become one of the most important issues of our time, if it is not already. Thank you.

Mr. PANETTA. Thank you very much, Governor, and we are going to join together to take a look at Focus: HOPE.

Before concluding the subcommittee hearing, let me thank all of the witnesses for their attendance and for their testimony. As always it is difficult to accommodate all those who wish to testify or express their concern, but let me assure you that what we have

been presented today is very much the same story we have gotten in city after city.

There is crisis, there is hunger, there are waiting lists, there is tremendous human need. There is a tier of society that is developing in America today that is growing poorer and weaker and less able to change things around to their benefit.

We have been successful in presenting that story to the Congress over the last few years. They have held very tough in terms of additional cutbacks and indeed, last year we were able to provide improvements. The worst thing we could do today is to retreat from the battle that we have begun and I think the testimony that you have presented today will give us encouragement to go back to Washington and continue that battle.

And I thank you for that.

[Whereupon, at 1:07 p.m., the subcommittee was adjourned, subject to the call of the Chair.]

[Material submitted for inclusion in the record follows:]

STATEMENT OF MAYOR COLEMAN A. YOUNG

Mayor Young has asked that the following statement be entered into the record:

We struggle, as elected officials and as a nation to come to grips with the crippling effects of a massive federal deficit. The growing urgency of our need to resolve this problem has forced us to consider options which, at another time, might have been unworthy of our consideration. Every government program, every policy, every appropriation is being subject to the most intense scrutiny.

In our haste to resolve this crisis, we must be mindful of another deficit, equally as destructive and with far-reaching effects for us as a nation. For, if we were ever able to quantify for future generations the effects of hunger and malnutrition, and the destruction of the lives of more than thirty million of our citizens who live in abject poverty, we would have to look at this waste of human resources in economic terms.

A thorough examination of the impact of our national economic policies and priorities as they relate to women and children, to the elderly, to the disabled, and to minorities is urgently required if we are to avert the very real tragedy of discovering, in the near future, that irreversible damage has been wrought on those least able to absorb it.

We know as we look about us that the disparity between segments of our population who are economically healthy and those who are not has become greater in the last eight years and especially in the last five years. The question we must ask ourselves as we struggle with the deficit are: What kind of America

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will we have five years from now; what will be the long-range impact of the actions we take today on future generations; what will it cost us in human terms.

Those of us who, as representatives of the people, bear the burden of making difficult decisions, will have to live not only with ourselves, but with the real, human evidence of the impact our actions have on those whom we propose to represent.

All of us can agree with the current administration on a number of things: The President, two years ago, deplored Hunger. He was concerned, he said, if even one child in America went to bed hungry. Yet, cuts in the Food Stamp Program and in child nutrition programs as reported by the Center on Budget and Policy Priorities, are being proposed to the tune of \$1 billion dollars a year.

In Detroit, more than 70% of our public school students rely on fully subsidized lunches. Yet the basic Section 4 subsidy faces elimination, as proposed by the USDA.

In Detroit, 147,510 households receive food stamps representing more than 330,000 persons. This amounts to less than \$.50 cents per meal, and I cannot see how the program can have any value if it sustains further cuts.

In Detroit, more than 50,000 households per month rely on the TEFAP program, that is surplus commodities distribution. Yet the USDA proposes elimination of funding for this program. We have successfully distributed a total of more than

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58 million pounds of surplus federal commodities to 50,000 needy families each month for the last three and one half years. We want to see the program continued as long as it is needed, but there is no way that we can possibly hope to absorb the costs of such a program without federal assistance.

In fact, we ask this committee to secure for us from the USDA additional foods: cheese, butter and cornmeal are not enough. We ask, as we have in the past, that for the duration of the current level of need, a wider variety of nutritionally valuable foods be provided for people to take home.

Those programs which address the needs of pregnant women and young children also face severe cuts while our waiting lists in Detroit continue to grow. And, our Infant Mortality Rate remains at more than 20 deaths per one thousand live births.

The current administration calls for the elimination of funds for emergency food and shelter. Since it was created less than three years ago this program has provided 136 million meals and 27 million nights of lodging for our nation's poor.

In Detroit, the FEMA Program, as it is popularly referred to, has provided more than 3.1 million meals and more than a quarter of a million nights of lodging since its inception with 3.4 million dollars.

As long as we continue to have a community where 30% of the total population is receiving some form of public assistance, and as long as people run out of Food

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Stamps before the end of the month, we will continue to have to supplement their food supplies by keeping our soup kitchens and our emergency food pantries open. We will not be able to meet even a part of the demand if these dollars are eliminated.

When I declared an economic emergency in Detroit in December, 1982 there were only six soup kitchens functioning in Detroit and approximately 90 food pantries. Seventeen soup kitchens now function serving 70,000 meals each month, and there are nearly 200 food pantries.

Our soup kitchen program suffers from the same malady as the TEFAP program: there is not enough variety in the kinds of foods available to congregate feeding sites at charitable institutions. The Jobs Bill temporarily provided canned meats, vegetables, beans, etc. Now, they are no longer available. But if we are to feed the hungry we need again to secure, through this committee, a wider variety of nutritionally valuable foods to assist those in need.

As the administration proposes the elimination of TEFAP and Emergency Food and Shelter funds it also would rescind 70% of all funds appropriated for HUD subsidized housing now, and no appropriation at all in 1987, (while at the same time a 21% increase is proposed in military housing for next year.) This same budget calls for \$182 million in reductions for Community Services Block Grants now and elimination of this program in 1987.

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The President has recently called for a massive review of our welfare system. He deplores waste, fraud and laziness. All of us do. Yet, he also proposes the elimination of the Work Incentive Program which provides job-training for those on welfare, and he proposes that the Job Corp Program for disadvantaged youths be cut in half.

While the President has assured our elderly that Social Security will remain intact, massive cuts are being proposed for Medicaid and other services which can assure our low income elderly population of a decent existence. All of these are related to the nutritional needs of our people because with less spendable income, the need to provide an adequate diet will become more urgent.

In fact, it is projected that nearly 60% of all recissions in FY86 which are proposed under the new budget would come from low income programs. These are not programs bloated by the largess of the federal government. These are the same programs which sustained more than \$300 billion worth of cuts in the past five years.

In the last three years and three months, our Emergency Relief efforts in the City of Detroit responded to more than 6 million requests for assistance, and we have collected over \$700,000 dollars from the private sector, individual citizens and corporations, among them Chrysler Corporation and Stroh's.

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General Motors Care and Share Program provided 200,000 persons with a three day supply of food. The Greater Detroit Chamber of Commerce Feed the Hungry Program collected more than 6 million pounds of food and an additional \$700,000 to purchase nutritional supplements.

All of these efforts, the cooperation of government and the private sector, of individual citizens and corporations were initiated at the local level in cooperation with the Mayor's Emergency Relief Committee. In Detroit we have come together as a community to alleviate the suffering of those, who, through no fault of their own find themselves in a state of economic crisis. But these measures cannot be looked on as a permanent solution.

As responsive as the private sector has been, there is no way that we can leave the question of whether or not people suffer from hunger and malnutrition to the possible generosity of the private sector.

We have been devastated by hunger and unemployment in much the same way floods and hurricanes have devastated parts of our country. We need to recognize and respond, with the same degree of urgency at the national level, to the needs of millions of Americans, among them thousands of Detroiters, suffering from economic devastation.

Our national budget priorities demand a serious review and reexamination in the areas of improved benefits to the unemployed, health care costs and coverage, Food Stamps, child nutrition and the full range of programs of assistance to the needy.

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I am just as concerned when I hear reports that an estimated 40% of those eligible to receive Food Stamps are not getting them as I am to hear of waste and abuse in the system.

It is a national disgrace to relegate people to cheese lines and soup kitchens. Our sense of outrage as a nation to the effects of hunger and malnutrition must compel us toward corrective action. We must develop a national policy on Food and Nutrition in this country which touches the lives of our farmers and our factory workers, our children and ~~our~~ elderly, with equal fairness.

The economy of our nation can only be measured as sound when we measure it in terms of people leading full, healthy and productive lives. We cannot ignore the problems of our citizens by shunting them off on the capricious generosity of the private sector.

In Detroit, we measure the deficit by the 70,000 meals our soup kitchen program feeds each month. Our Infant Mortality Rate and the 300,000 persons who are currently receiving public assistance are a key index of economic recovery.

Between 1980 and 1983 the number of American people living in poverty rose by 6 million people in just three years. In discussing the "War and Poverty" President Reagan recently quipped that 'poverty must have won.' He must have been referring to his own efforts. For, never before have we witnessed such deliberate and obvious attempts by any administration to blame the victims of its policies for the obvious inadequacies of those policies.

With less than one out of every five unemployed persons in Detroit currently receiving unemployment benefits and double digit unemployment for more than five years, we are concerned, in Detroit, that too many of our citizens will forever remain spectators at the celebration of our economic recovery.

PRESENTATION

BY

WILLIAM V. WEATHERSTON

March 7, 1986

I am William V. Weatherston, Vice President, Corporate Affairs, for The Stroh Brewery Company. I want to thank you for this opportunity to talk about corporate and private responses to the food emergency we have had in Detroit for the past several years.

Detroit's recognition of the crisis in hunger and malnutrition came at the beginning of this decade with the documentation of extreme needs in our community.

It was our Mayor Coleman Young's December 7, 1982, declaration of a State of Economic Emergency in Detroit, and Governor James Blanchard's December 19 declaration of a statewide "Human Emergency" that energized the efforts of Detroit's private and corporate sectors.

When United Community Services sent its February, 1983, message to the Detroit corporate community, their open letter made it very real to the corporate sector that the efforts of city, state and federal agencies were no longer enough. It was critical that the private community act.

Those actions were substantial, providing funding to an assortment of local programs for those in need.

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One such program is "Feed the Hungry", established in June, 1982, when Michigan Bell Telephone Company made a grant to the Greater Detroit Chamber of Commerce for the distribution of surplus food commodities.

Another was the establishment of the "Mayor's Emergency Relief Fund" in January, 1983.

And food and cash contributions were made to the Family Pack "Care and Share" program started by General Motors. These programs were major participants in responding to the city's needs.

In spite of this, and in spite of the over \$700,000 raised by private and corporate sources to feed Detroit's hungry, there is still hunger in Detroit and there will continue to be hunger in Detroit because none of these spontaneous efforts solve the cause of hunger. They only give temporary remedies to hunger and its effects.

The central issue of hunger in Detroit, which is also the issue of hunger in America, was addressed in September, 1984, in the report on "Emergency Food and Shelter Needs in Metro Detroit", made by John D. MacInnes, Executive Vice President of United Community Services.

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MacInnes wrote that "There is a great concern that we are just moving away from an immediate crisis to a chronic crisis that cannot be offset by emergency provisions...the problem demands our commitment to find long-range solutions."

Among the solutions outlined in the UCS long-term action plan was that of "a movement toward...a National Food Policy, with a goal of ending hunger and malnutrition...(which would state that) the fundamental belief in the peoples' right to life, liberty and the pursuit of happiness includes the right to adequate food to meet nutritional needs."

The failure of our federal government to develop a national nutrition and hunger policy can rightfully be seen as one of the causes of continuing hunger in America today.

In fact, the inflexibility of the system as it stands can be seen as a contributing fact to hunger here and around the country through rigid distribution practices such as the ones outlined in the old Title I and Title II distribution programs.

Our experience in Detroit of receiving food which we could not distribute to the hungry was the focus of a "Detroit Free Press" editorial

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of January 26, 1984. The "Free Press" castigated mismanagement of the federal food program which, in their words, "flooded Detroit with 50-pound bags of foodstuffs which could not be handed out without repackaging."

The problem was not simply the act of repackaging the foods. It was getting federal permission to do so, permission to give away food which was intended from the start to be given away.

The City of Detroit applied for a waiver from the program requirement of providing bulk canned foods only to soup kitchens so that it could be distributed to qualified individuals as well.

That waiver was applied for in 1983. It was March, 1984, before approval was received.

You can imagine the frustration we felt. The private and corporate communities had raised hundreds of thousands of dollars to feed the hungry, the City had worked with dozens of voluntary agencies to see that the food was received and distributed -- and yet we were faced with regulations that kept food from the needy even though it was sitting practically underneath their noses.

Detroit is not a city that rests easily with frustration. We submitted

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an innovative pilot project to the Department of Agriculture in December, 1983.

Our proposal was direct and to the point. We asked that the federal government match each \$1 contribution of cash or food for the hungry contributed to an established city agency with a \$4 match in cash or surplus food from the storehouses of the USDA. This proposal was submitted with the endorsement of the Michigan Department of Education, which would serve as facilitator of the approved program.

Our goal was to expand the variety and quantity of commodities distributed through the network of Title II food package providers. We saw it as a means of ensuring a more nutritionally balanced diet for the low income citizen.

Needless to say, we were disappointed with the Department of Agriculture's response, which turned down our proposal with no further discussion, only a listing of reasons why it couldn't be done under current regulations.

We feel a new commitment is needed and we look forward to working with you in any capacity as your Subcommittee continues its investigation into this issue.

Thank you.

Testimony of Father William T. Cunningham

Executive Director, Focus: HOPE

To the Agriculture Subcommittee

On Domestic Marketing, Consumer Relations and Nutrition

March 7, 1986

Chairman Panetta and Congressmen Traxler, Levin, Crockett, Hertel:

In the northern part of this peninsula there are farmers who have prospered with their potato crops for generations, whose labors are just as intense and productive as ever, but who now would give anything to break even. They have been smothered by abundance. Yet, a few blocks from this hearing room you can find old people struggling to put a subsistence diet on their tables. That is just one example, ladies and gentlemen, of how hunger in America is not as easy to comprehend as famine in a poor and parched land.

Hunger in America is as complex as an agricultural economy that nobody seems to understand. Hunger in America is as invisible as the low-income senior citizens who live with it; as insidious as the infant whose belly is full but whose brain is lacking the proper nutrition for its one chance to develop; as unmentionable as sin in an era where good news is what's wanted, where the messenger who brings bad news about hunger isn't shot -- he just gets his appropriation held up by the Office of Management and Budget. At least that has been the experience of Focus: HOPE lately.

To be honest, Mr. Chairman, there is some good news. And that is that there are people in Congress who understand that hunger is real, that good nutrition is the first prerequisite for youngsters to grow into productive adults, that our senior citizens -- for the most profound moral reasons and for the soundest health-care economics -- must have proper food. I think you know that Focus: HOPE believes the greatest obscenity is to play politics with the hungry. And it turns out that just as neither of our two political parties has a lock on wrongheadedness when it comes to food programs, neither does one party have a lock on virtue.

From your side of the aisle, Congressman Panetta, there has been long-term support for Focus: HOPE's efforts in Detroit and for other Commodity

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Supplemental Food Programs across the country. Bob Traxler, from the Saginaw Valley, understands both the urban and rural plights described in my opening paragraph, and he has been the patron saint of this program since its beginning. Don Riegle and Carl Levin likewise have been steadfast in their commitment to the idea that proper nutrition is a right of every U.S. citizen. The list of Democrats paying more than lip service to that idea is, in fact, a long one. I don't have to tell you, Chairman Panetta, that you are high on the list.

But I must ask that the record show that in the winter of 1986 it was a bipartisan effort that rescued this little food program of ours -- the most cost-effective in the land, one that has been feeding 45,000 low-income Detroiters a month -- from a genuine catastrophe. The Department of Agriculture was withholding more than half a million dollars of our approved budget because the troglodytes in the Office of Management and Budget showed no inclination to abide by the law or the expressed will of Congress.

Senator Bob Dole saw the problem and helped us pry our appropriation loose, even though it's a long way from Kansas wheat fields to the streets of Detroit. I especially want to thank him. Bill Brock is another Republican who helped. You may wonder how the secretary of labor came to be involved in the problems of a food program in Detroit; and if you don't mind, I'll use that as an excuse to get down to the business at hand, which is to make a statement about hunger in the United States in the Gramm-Ruddman era.

The labor secretary lent us a hand because he was at Focus: HOPE last fall, and right next to one of our food centers he discovered what we're doing at our Industry Mall. And that is to train the disadvantaged in a salable skill and to create jobs that will help people move from assistance programs to self-sufficiency. We want people off our food program, and I am convinced that the overwhelming majority of our people want to be off the program. And that illustrates how so many different problems meld into one pernicious condition for what has come to be known popularly as "the underclass."

Separating a part of that condition and calling it "hunger" doesn't really do the job, any more than "unemployed" describes someone who hasn't held a job for three

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or four years and does not possess a skill that anyone is willing to pay for. When you say "hunger," unfortunately, some investigators and the news media see a very specific problem in their mind's eye: They want to come to Detroit and find people out in the alleys eating out of garbage cans. Well, Detroit has been there; and, to a lesser extent, still is -- the "recovery" having bestowed its benefits in a very selective fashion.

Hunger, though, is usually a little less dramatic than that alley photograph, or even a soup kitchen scene. Take the case of the senior citizen, many of whom live on a fixed income of \$300 a month or less. I recently heard how a film about poverty in America was shown in India, and how the audience chuckled when it saw an elderly American going to his refrigerator to put together his meager breakfast. Well, ladies and gentlemen, I never forget for one moment that this is America, and we have people in poverty who do own refrigerators. More to the point, a lot of those refrigerators belong to old people and do not contain enough food.

Statistics show that old people in poverty suffer greater incidences of numerous debilitating diseases simply because they don't get the nutrition they need. If America doesn't have the decency to get its elderly that nutrition just because they own a refrigerator, then we ought to feed them right just to hold down this country's doctor bills.

Focus: HOPE's own numbers on hunger among the elderly are these: 15,514 low-income people on the waiting list for our Food for Seniors program, as of a week ago. We talk about this enough that sometimes even I, for a second, forget the enormity of it. Not just the numbers, but what it is. A waiting list for food for old people. In the United States.

When an opening occurs in our USDA-mandated case level, we fill it as soon as possible. Often, that's not soon enough. One time we said, well, we'll take the person with the lowest income. But a lot of people had the same income. So we said, well, we'll take the oldest person. That person was 101. When we called to say the waiting was over, we found out that senior citizen was dead. We don't have statistics on how many people have died while waiting for our food, but I can tell

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you that anyone who works in the program has been confronted with that sad fact.

But let's not be trying to track down cases of starvation, or taking photographs of people eating out of garbage cans. In the wealthiest and most abundant nation on Earth do we really need that to agree there is a level of "hunger" that is unacceptable for our citizens. There is poverty in this country, and with it come certain problems involving food. They range from a stifling of the spirit and of the will to be productive, to debilitating illness among the elderly, to stunted development among children born and unborn. You can go further and extrapolate a host of resulting social evils if you wish.

Meantime, the family farm is dying and the government is subsidizing growers of a non-food crop that -- when it is produced and packaged and marketed with millions of dollars worth of advertising, but not in media that the government has barred from accepting such advertising -- will kill you, according to the fairly expensive research of another branch of government. Now, I may not be an agricultural economist, let alone a psychiatrist, but I can tell you that policy is insane.

Insanities and ironies abound in the way our society deals with farms and food and the poor. But I promised my remarks would be brief; so I won't talk about butter caves and cheese mountains and other surplus facts that must be talked about from time to time, like pinching yourself to make sure you're not dreaming. Let me just say a few words about the Commodity Supplemental Food Program and the budget slashers.

This afternoon I hope all of you will join us for a tour of Focus: HOPE's main food distribution center. We believe you'll agree that it is the most efficient, cost-effective way to deliver nutrition to mothers, infants and elderly whose low incomes put them at risk. At least that's what lawmakers and investigators and others have been concluding after similar visits here for a decade and a half. Congressman Crockett, I particularly hope you will take a look, because there has been some confusion among your staff concerning the worth of our program. I know you will find it disturbing that of those 15,514 seniors on our waiting list, 12,440 live in the city of Detroit -- with the heaviest concentration in the 13th District.

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Food for Seniors, as most of you know, began as a pilot derived from CSFP's program for mothers, infants and pre-schoolers. The pilot was designed at Focus: HOPE and tested here and in Iowa and in New Orleans. Congress liked what it saw and approved a bill that said, in effect, "Clear out that waiting list; start signing them up! Furthermore, start new seniors programs in cities that want them." Well, Mr. Chairman, we'll do that just as soon as USDA sends us a letter authorizing it. Meanwhile, with would-be Food for Seniors program operators waiting to get started, USDA already has in print a budget for next year that would cause the Food for Seniors caseload to disappear by attrition. Well, I have already told you how attrition occurs on that list, and I think you understand that is not because these old people have come into an inheritance or a new job and don't need the food anymore. When an old person dies, OMB wants to snatch the food back from the next old person waiting in line.

There is more in this proposed USDA budget. The Office of Management and Budget wants to force CSFP to buy food that USDA already has bought in surplus from farmers, food that would be stored for no good purpose whatsoever if it wasn't given to us so we can put it on the tables of the needy. That looks to me like double-dipping on the part of OMB. How else do you describe using a tax dollar to buy food that already has been purchased with a different tax dollar?

This kind of political gamesmanship using the needy as pawns accomplishes nothing whatsoever. We all know that the hunger problem is inseparable from the poverty problem, and that the way to solve it long-term is to get people out of poverty. That is why Focus: HOPE is investing so much effort in job training and job creation, and why our goal is to see that our food program one day will die for lack of need.

This is a land of pluralism, as well as plenty. There is room for debate on matters of how to tax our worldly wealth; I pray the bipartisan support we have seen recently means, however, that we will be able to stop debating whether to share our abundance of food with the hungry.

Prepared Testimony of Mary Ann Vandemark, Executive Director of the
Human Development Commission on Food Assistance Programs

March 7, 1986

To the Chair and members of the Subcommittee on Domestic Marketing, Consumer Relations, and Nutrition, my name is Mary Ann Vandemark, Executive Director of the Human Development Commission. I am here today to speak in regard to federal domestic food assistance programs, specifically relating to the State of Michigan and the Thumb area, in particular.

The Human Development Commission, a Community Action Agency, began coordinating a four-county effort to combat hunger in 1981. We assisted in establishing a network of 25 Emergency Food Pantries to cover our four-county service area (3,256 square miles). We provided technical, fiscal and volunteer assistance in developing the food pantries and referral system. There were 11,655 needy individuals served with emergency food services in 1985 in our four-county service area. In addition, 10,236 needy individuals were served in 1985 under TEFAP. The numbers in need were equally divided among the four counties in our service area. We also became the fiscal agent for local F.E.M.A. programs and, while this program provides funds for direct services, the administration's allowable expenses has been no higher than 1.25%. If HDC does not continue to operate both programs, even though both are only band-aids, they will be lost to the needy in the Thumb of Michigan. They will be lost because there is

no one else who will touch these programs with a 10-foot pole. It is not that others do not care...they cannot afford what would happen to them if they did take over...bankruptcy or the loss of their business.

In spite of our experiences with TEFAP and FEMA, we have been told, on good authority, that there are no poor in this country...We have been assured that none of our poor (if there are any) will fall through the "cracks"...that those who are "truly needy will receive assistance". However, the evidence is that there are, indeed, poor people and that these people are falling through our ever-widening cracks, daily, and it is happening right here in "our own backyard". It can be the recently laid-off husband with a wife and two children; they are out of money, food and have never had to ask for help before. Or, it is the senior who receives a monthly food stamp award of \$15 and has a \$300 energy bill to pay with a \$325 Social Security check. It might be the young mother with two small children who just moved to our area and may have to wait 45 days before receiving any assistance. The basic needs of these people are not being met and it does not appear they will be met in the near future. Last, but not least, senior citizens are being the hardest hit. Seniors are often unwilling, or unable, to ask for help and those who do ask for assistance have a difficult time dealing with the paperwork and the travel often required to apply.

As a Community Action Agency, we are committed to helping meet the needs of our community, which means these people I have described.

The homeless... the hungry... the needy... Public Service Announce-

ments... charity concerts and documentaries, appeal daily to our emotions and sense of humanitarianism for assistance in relieving the hardships of those in South Africa, Nicaragua, El Salvador, and other parts of the world...and America responds, hoping to make a difference in the struggles of those who are socially and economically disadvantaged!

This recognition and support is important and necessary, but it seems we seldom hear about these same struggles and hardships in our own country. And, what about those in need in "our own backyard"? How many of us realize how prevalent these same problems are in the rural areas of Michigan.

At this time, we are providing Emergency Food Assistance to over 1,000 persons, per month, out of a total population of 200,400, in our service area. As we continue with this local effort, it is becoming apparent that emergency efforts are not enough. Many of those receiving emergency assistance need a monthly supplement in order to survive. Those most deeply affected are women with small children and the elderly.

The problem of hunger is compounded by the wide variety of medical problems caused by malnutrition and/or poor nutrition. The ever increasing medical costs for health care, and eventual institutionalization is one of the prices we are paying for nutritional needs not being met.

Within the four counties, the WIC programs can serve approximately

3,500 women, infants and children, with a waiting list of one to four months. If a USDA Commodity Supplemental Food Program was available to us, we could assist those clients on existing waiting lists, as well as provide assistance to households who have not yet requested services, but are in need of services. The USDA Supplemental Food Program is widely recognized as the most cost-effective measure in providing well-balanced, nutritional foods to mothers, infants and children.

For the cost of every one WIC participant, two USDA Commodity Food Program clients are served.

We find that a high percentage of seniors who do apply for food stamps receive very small awards (from \$10 to \$35). This often leaves the senior with difficult choices to make, between paying bills (rent, heat, lights) and eating. The vast majority of seniors pay their bills and go without adequate food to meet their nutritional needs.

A "Food for Seniors Program" is needed in our rural area of the State. In our area, congregate and home-delivered meals are available, but they reach only a small percentage of seniors. Many seniors are not able, or do not wish, to eat at the meal sites, yet do not meet the criteria for home-delivered meals. In our four-county area, 24% of those persons 65 years or older live below the poverty level (one out of four). The poverty rate among seniors increases for those who live alone to 33% (one out of three).

With the Food for Seniors Program, seniors can be provided with basic

nutrition foods to supplement their diet. There are foods which, because they are purchased through USDA, are cost-effective and nutritionally sound. The food is available for low-income seniors and can be prepared in the privacy of their own home. Also, because of a large core of volunteers, these foods can be delivered to home-bound seniors or those with transportation problems.

Because of the designs of the USDA Commodities Supplemental Food Programs for mothers, infants, children and seniors, it is much more cost-effective than other similar programs.

The program allows people to retain their dignity and pride and receive the services they so desperately need. It allows them freedom of choice when varieties are available of similar products from which they may choose. They would only take those items that they would want, thereby eliminating unnecessary waste.

Logic tells us there is a oneness of all humanity. Repugnant as this may be at first hearing, the oneness carries with it responsibility! Yet, instead of assuming responsibility, we accuse others of not working in the world. But, it is not the others that are absent; we are absent. Instead of wondering why others allow people to starve, we need to examine why we allow people to hunger and thirst.

On behalf of the poor in the Thumb area of Michigan, I would like to take this opportunity to thank the Subcommittee for their attention and concern as it relates to their quality of life.

(Attachments follow:)

EXAMPLE A

Frank and Joy Nagy
Caro

Ages: 69 & 53

The Nagy's first came to our office looking for Emergency Food Assistance.

As we completed a Needs Assessment, it was discovered that they had a wide variety of problems such as housing, medical and energy needs. Mrs. Nagy is ill and needs a special diet which was very costly and so Mr. Nagy was not taking proper care of himself.

We were able to assist the Nagy's with obtaining a Section Eight Housing slot which alleviated the housing problem and allotted a little extra money for medical needs. We were able to find a local church group to help cover the cost of Mrs. Nagy's special diet. This is a short term answer, but it did allow for Mr. Nagy to begin to receive proper medical attention and diet.

We have some concerns that when emergencies do arise, Mr. Nagy still cuts his food budget and is not taking proper care of himself.

The Nagy's receive \$563 a month from Social Security with nearly \$200 per month going for medical related costs for Mrs. Nagy.

EXAMPLE B

Arnold and Edith Pastor
Caro, MI 48723

AGES: 66 & 60

The Pastor's have been working with the Human Development Commission for the past five years. Arnold was a Green Thumb participant until Edith became ill and he had to quit to take care of her.

They receive a total of \$363 per month to live on. They have a food stamp grant of \$28 per month. Their expenses are as follows:

Heat/Electric Water	\$140.00
Medical Ins	50.00
Taxes & Insurance	60.00
Medical Costs	60.00
TOTAL	<u>\$310.00</u>

This leaves \$53 for food, clothes and transportation costs. If a fuel bill is unusually high, it often takes the balance (\$53) to pay it.

We have provided the Pastors with Weatherization and Energy Assistance and other senior programs in the past. These services have assisted them, but there are still many months that they have to choose between what will be paid and what will be forgotten. It's the food money that is used elsewhere first.

March 7, 1986

Statement of Edwin A. Rowe to U.S. House of Representatives,
Committee on Agriculture hearing held in Detroit, Michigan.

First let me thank Rep. Leon Panetta and other members of the sub-committee as well as other congresspersons present for the opportunity to speak to them on issues where poverty and its tragic results are affected by this nation's food policy and especially by our food stamp and commodity food legislation. I can see from work and statements that Mr. Panetta has made in defence of the food stamp program and the restoration of its integrity in areas like earned-income deductions, the excess shelter deduction, and liquid assets limitations that I am talking to a person who understands.

What perhaps, you may not know, is what poverty looks like in a place in the world called the Cass Corridor. The Corridor is not important for its size, but it is a well-known symbol. It is a symbol of poverty, decorated with food lines and blood banks and more than its share of the 90,000 homeless people in Michigan. At one point in its history, the Corridor was a port of entry for people from other countries and it still reflects an amazing racial and cultural mix. But it has become a port of entry from institutions like prisons and psychiatric hospitals which come in boat-loads as the result of deinstitutionalization. It is a port of entry for people with no alternatives. It is also an embarrassment to government and

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so in 1970, there were 20,000 people. In 1980, there were 12,000 and the number continues to nose-dive due to the official and unofficial goal of clearing the Corridor. Resources are cut in all areas so that an already powerless people, who have received 32 social agencies into their community (many of which were unwelcome, other places) have no way to fight back.

In the major zip code for the Cass Corridor, 46% of our brothers and sisters live below the poverty line (of course, we don't count the homeless. How can we??). 40% of our families and more importantly, 63% of our children live below the poverty line. If 50% - 60% of Detroit's population are on some kind of transfer payment, it is obvious that the percentage is much higher in the corridor. Except that it doesn't seem possible that it could be very much higher since such a large number of people are no longer on any assistance at all except soup kitchens and blood banks.

At Cass Community United Methodist Church and Center. people, our brothers and sisters, line up at 7:00 in the morning for breakfast. The lines get longer while our resources evaporate. Private charity FEMA dollars that funded this program last year, did not come. Monies from a packaged food program that already was required to incorporate three additional months of feeding people with the same budget, had to be shared with the breakfast program. In this area alone, 5,460

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people will be turned away in a twelve month period while we feed 31,200.

This is just the beginning. In 1983-84, 1,638 packaged food meals were placed into the hands of hungry people. In 1985-86, reduced funding will cut that number to 588. When all the multiplication is complete, we will have served 52,000 less meals (understanding that a package of food is supposed to serve as 7.2 meals for singles or 10.5 meals for families). Approximately 200 individuals will come into our facility each week in need of food and I, or some other member of my staff, will have the privilege of explaining to them why their hunger is less important than those who got there first. The survival of the fittest works better when you don't have to look the un-fit in the eye.

Last week, we began our own home delivered meals program to seniors. A modest program of 30 meals a day. We did it because so many of the seniors referred to our Senior Citizens Outreach Project have had some part of their health problems diagnosed as relating to malnutrition or inappropriate diet. We did it because waiting lists for current programs sway back and forth between 1,000 and 1,5000. On the first day of the program, we were called by Detroit Area Agency on Ageing (DAAA) whose funds we were matching to provide the meals, and we were told that their half had already been cut and that as Gramm-Rudman takes affect, more cuts can be expected. The object

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of our working with seniors is to provide some form of independence for people as long as possible. We do it because we believe independence is a key part of their well-being. But the end result also is that much less money is spent on these particular individuals than will be spent when they are forced to go into institutional care. The scene at the other end of the delivered meals program is absolutely tragic. One of our drivers, after two days of delivering meals, came to me and said, "This job is too hard, Reverend." I couldn't figure out what was so hard until he told me about the people who couldn't get to the door, or who couldn't hear the bell. And then he told me what it's like to carry a hot meal down the hall in buildings on streets like Brainard or Peterboro. All of a sudden door open. People on walkers and canes begin to follow you down the hall. "Old people, Reverend, I mean really old people." These are people who make your eyes water to look at their physical condition; who are following you down the hall asking for food. Somebody should make a horror movie!!

Most seniors in the Corridor receive \$363.00 in social security and pay approximately \$200 in rent. They receive \$10 in food stamps. We call that \$10 a supplement but it has nothing to supplement. And we know that people are living on it and that the supplement is food lines and that the food stamps are supplementing soup kitchens and congregate meals that represent the majority of a person's diet. The answer is not more cheese. Most people who stand in line for commodity

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foods, do not go to pilot projects that look like grocery stores with a large ability to choose between different kinds of foods. Most stand in dangerous lines for hours, ankle-deep in the snow for a "take" that is cheese and flour or cheese and butter or cheese and unpasturized honey that we're discovering many children shouldn't eat. Oh Yes, and they pick up their cheese among warning signs not to eat too much of it if they are to be on a low sodium or a low cholesterol diet. If you treat people like cattle, you will get cattle-like behavior. Under the guise of keeping people alive, we have killed their spirit. And the church has been sucked-in. The place that is supposed to protect the spirit of the people, is asked to either not feed people or become part of a system that dehumanizes and kills and contradicts its reason for being. At Cass Church, we do not do cheese lines. The struggle to find money to at least in some way respond to the needs of the people through our purchasing of food, is horrendous - but critical. Commodity food was never designed for people. Commodity food is what was politically expedient for the government to take off the market and had no relationship to what people need. Commodity food is horrendous farm policy. Farmers need food purchased off the retail shelves, not the distribution of food purchased with price supports three years ago. Food stamps allow people to stand in the same grocery stores that you and I stand in. It allows them to buy food that responds to their family's need with choice and integrity. It allows them to buy the same "junk food" that you and I buy. It allows humanness. Besides that, it worked!

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The Field Foundation, among others, conducted scientific studies that proved it worked. In the 1960's we had commodities and horrendous malnutrition. In the 1970's, food stamps made a significant improvement in the health of a nation. One of the few assistance programs that was successful. Why do we cut it?? Why do we cripple or kill something that worked?? Perhaps programs aren't cut on the basis of whether they work, but on the basis of the political power of those who need them. Perhaps our concern for hunger is less important because the people who are hungry vote less, have less political connections, and have no money. The food stamp program said that people had the right to an adequate diet, no matter how debatable the thrifty food plan is. The food stamp program said that people have a right to choose what they eat. To have food stamps, subsidized commodities, commodities that are inadequate for health, dehumanizing in their method of distribution, designates poor people as containers for our society's waste and pays little or no attention to the fact that it is not working for the poor in the city or for the thousands of farmers in danger of foreclosure, is insane.

I plead with you, like the blind lady across the hall from the last person our driver fed. A lady who begged for food. Like her, I beg for food. For food that will not just allow people to exist, but will protect their spirit and our humanity.



150 MICHIGAN AVENUE / DETROIT, MICHIGAN 48226-2651 / TELEPHONE: 313-964-4000

STATEMENT OF ROBERT GUERRINI, VICE PRESIDENT, GREATER DETROIT CHAMBER OF COMMERCE, SUBMITTED TO THE U.S. HOUSE OF REPRESENTATIVES SUBCOMMITTEE ON DOMESTIC MARKETING, CONSUMER RELATIONS, AND NUTRITION

March 7, 1986

During the recent hunger emergency in southeast Michigan, the area's corporate community responded with an unprecedented effort to provide emergency food to thousands of Detroit area residents. Among the many efforts to address the problem was the "Feed the Hungry" program of the Greater Detroit Chamber of Commerce, coordinated by the Chamber's Food Industry Council. Between 1982 and 1985, Detroit's corporate community contributed more than \$700,000 to the "Feed the Hungry" effort, which distributed in excess of seven million pounds of food to area soup kitchens and emergency food pantries. "Feed the Hungry" was also instrumental in the formation of Oakland Food Bank, which continues to serve the needs of Oakland County residents.

The Chamber's program, of course, was but one of several major efforts supported by the corporate community. Others included Mayor Young's Emergency Relief Program and the General Motors "Care and Share" Program. A significant long-term benefit to these programs has been the strengthening of southeast Michigan's food provider network to the point where, at this time, direct corporate involvement in providing emergency food is not deemed necessary.

Although Detroit's economy has made significant strides in the past 18 months, hunger continues to be a problem. United Community Services of Metropolitan Detroit (UCS) has determined that, while hunger in our area can no longer be classified as an "emergency," a significant chronic problem remains. UCS is currently coordinating a program that will involve the corporate community in efforts to find long-term solutions.

Despite these significant past and ongoing efforts, it is absolutely essential that federally funded programs continue minimally at current levels. While our recent experience indicates that corporate involvement can temporarily ease a crisis situation, it is unrealistic to expect that our chronic problem can be addressed with any degree of success by the corporate community. Government programs must continue as the most effective means of dealing with the very real problem of hunger in our society.

City of Detroit

CITY COUNCIL

ERMA HENDERSON
PRESIDENT

STATEMENT OF COUNCIL PRESIDENT ERMA HENDERSON
CONGRESSIONAL HEARING ON THE EFFECTIVENESS
OF FEDERAL FOOD PROGRAMS
MARCH 7, 1986

We are here today to discuss the effectiveness of federal food programs. I hope that by the end of this hearing it will have been made abundantly clear that these programs barely scratch the surface and leave millions and millions of hungry people in this nation. The richest nation in the world, the food basket for the world cannot, or more precisely, will not feed its people. Hopefully, this hearing will impact that unfortunate fact.

The cuts in federal food programs are particularly ill-advised given that it is an extremely cost-effective investment in the physical and economic health of our country. That is particularly true of programs such as the Women Infant Children (WIC) program. Dr. Jean Mayer, President of Tufts University, testified at a Congressional hearing last year that "Of all the stupid ways to save money, not feeding pregnant women is the most stupid and not feeding hungry children runs a close second." She stressed that every dollar spent on the WIC program saves \$3 in the same year on medical costs.

For the benefit of those from out of town who may have some questions, please be advised that there are more than 400,000 people in Detroit who are in need of food. A majority of them are not involved in any federal food program. The number of soup kitchens in Wayne County has increased from 6 to over 25 in the past few years. 60-70% of Detroit residents receive some form of government assistance. 40% of Detroit residents live in poverty. Infant mortality, which often is a result of poor pre-natal nutrition is at the crisis level of 33 per 1,000.

These statistics should make clear that we have a serious problem in Detroit. Perhaps this information is not available to those congressional representatives who vote to cut essential food and nutrition programs. Many of these conservative members of Congress boast of a desire to support the family while, at the same time, supporting cuts in these programs. Obviously without basic needs such as food, the family structure is much more likely to fall apart. The hypocrisy of that position must be exposed.

The food stamps program is an essential element in the survival of thousands of our citizens. In the tri-county area, 228,000 households depend on food stamps. The heavy cuts in food stamps and school lunch programs is magnified when compared to the massive increases in military spending and/or the 4 to 5 billion dollars the treasury will forego as a result of 3 martini lunches and deductible entertainment expenses for business.

Congressional Hearing on the Effectiveness
Of Federal Food Programs
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Among the many recommendations that one, who cares about hungry people, would make are:

1. Calculation of the level of food stamps benefits available to a household should be based on the USDA Low Cost Food Plan, which could provide a 27% increase in benefit levels.
2. Food Stamp benefits should be adjusted semi-annually on a prospective basis to reflect periodic changes in food prices.
3. Elderly persons who become too disabled to purchase and prepare their own meals should retain their status as "separate households" and should not be assumed to become part of the economic unit of the family or persons providing for them.
4. All states should make provisions to extend food stamp benefits to homeless persons.
5. The value of assets permitted under the program should be raised to reflect past inflation and indexed for future changes.
6. Recipients should be protected from reduction of benefits without due process.

Surplus commodities also act as a small but essential part of the diet of many Detroiters. This program, while needed, has brought many problems to Detroit. The Federal government has not done its part in providing administrative costs to adequately manage the commodity program. Indeed, a very vocal group called "Detroiters for Dignity" has organized to protest the long lines and other problems which arise from a lack of administrative dollars.

Among the many recommendations one could make regarding surplus commodities are the following:

1. Broaden the types of surplus commodities so as to provide a more balanced diet to recipients.
2. Increase funding to cover adequate administrative costs.
3. Expand the elderly nutrition program.
4. Stagger shipments of food.

Congressional Hearing on the Effectiveness
Of Federal Food Programs
Page Three

In closing, allow me to reiterate the utter madness of the richest nation in the world being unwilling to feed its people. Some suggest that fewer than one hungry person is involved in a federal food program. The Detroit City Council funded an educational outreach program to inform poor people of available resources. My final recommendation to this honorable body is for the mandatory outreach and information services about the availability and benefits of the food stamp and commodity programs be restored with 100% federal reimbursement.

Thank you.

STATUS REPORT

Emergency Food & Shelter Needs In
Metropolitan Detroit

John D. MacInnes
Executive Vice President
United Community Services

Task Force on Hunger

George Covintree, SEMFCO, Chairman
Claude Brittingham, UCS
Gene Gonya, Gleaners Community Food Bank
Lewis Hickson, Capuchin Community Center
Eleanor Josaitis, Focus:HOPE
Noreen Keating, Lighthouse
Barbara Parker, Mayor's Office

Task Force on Shelter

Jarrie Tent, COTS, Chairman
Eben Martin, UCS
Major Joyce Boyer, Salvation Army

September 18, 1984

STATUS OF EMERGENCY FOOD & SHELTER NEEDS IN METROPOLITAN DETROIT AREA

Hunger and homelessness in American society are not just problems of the past few years. Rather they are ongoing problems related to many complex issues exacerbated by the recent downturn in the economy coupled with cutbacks in federal and state public assistance programs.

Our local five year recession has caused increased demand for emergency services which have required the extensive attention of human service agencies as well as other elements of the community. Even though the economy has improved, there is great concern that we are just moving away from an immediate crisis to a chronic crisis which cannot be offset by emergency provisions. Despite some very good programs on both national and local levels, incomes derived from public assistance, unemployment compensation, or underemployment are not meeting the basic cost of things people need to subsist with dignity and respect. Temporary solutions are not effective; the problem demands our commitment to find long-range solutions.

Statistics reveal that the numbers of people needing assistance are not abating and that service providers are struggling to provide that assistance. In the tri-county area, from May 1979 through May 1984, the civilian labor force decreased 3%, employed persons decreased 6.7%, while the numbers of unemployed persons increased 45.5%. The prolonged recession and continuing unemployment has meant fewer people are eligible for unemployment insurance benefits, and at present only about 25% of the unemployed are receiving MESC payments.

Unemployment, combined with serious illness, often due to postponing health care and inadequate diets, and family problems worsened by financial difficulty have brought increasing numbers of citizens below the poverty level. United Community Services estimates that about 620,000 persons or 15.5 percent of the tri-county area residents and about 420,000 persons or 36 percent of the City of Detroit residents are living below the poverty level which for a family of four is \$10,160. People below the poverty level have difficulty in purchasing the basic necessities of life; and often after buying food, they cannot afford shelter, health care, or clothing. Without adequate financial resources, many have turned to the government and private sector.

Hunger

The Michigan Food and Nutrition Advisory Commission's publication, "A Right to Food" dated May 1984, stated that there are hungry people in Michigan...who face the threat of hunger as a result of complex economic and social factors and find themselves inadequately protected from this threat by federal food programs...Sometimes the private sector is the only recourse for the hungry." UCS has also estimated that there are around 825,000 persons in the Detroit area who could benefit from food assistance; about 560,000 of which live in the City of Detroit.

2.

Economically vulnerable people include:

- those who are the long-term poor, receiving continuing assistance
- those who have a temporary or semi-permanent crisis, who need and receive temporary short-term assistance
- those who have a temporary or semi-permanent crisis, who need, but do not receive temporary short-term assistance because of regulations or restrictions.

There is not a fixed group of the economically vulnerable, but one in which people enter or leave as a result of their personal economic condition. This group presently includes the unemployed, the elderly, the mentally and physically disabled or ill, and households with single parents. Often the economically vulnerable include persons who are employed, but who receive minimal or insufficient income for their basic necessities.

To assist those who are economically vulnerable, emergency food provider operations are being run by governments, human service agencies, community organizations, and churches. In the past three years, the number of emergency food providers in Wayne County has doubled to 164, serving approximately 52,000 households per month. In Macomb County, there are 25 emergency food providers and 100 in Oakland County.

Besides USDA commodity food, such as cheese, butter, dry milk, and other bulk food, the providers are dependent upon grants from sources such as FEMA, PL 250 funds from the Michigan Department of Education, donations from churches, government, and businesses. These resources are inadequate to meet the needs of the hungry. Limited operating budgets must also include funds for non-food related items such as paper products and fresh food stuffs to supplement the bulk foods received. High utility costs and staffing are constant concerns.

Action Plan - Long Term

Clearly there are issues that still need to be addressed and resolved, and many of these issues go beyond giving out bundles of food and establishing soup kitchens. The support and commitment of the corporate community is essential to begin the process of developing a long-range solution to hunger.

First, there must be general agreement that hunger is a chronic problem and that local food providers are dealing as best they can given their resources.

Secondly, we need to look philosophically at the problem and move toward the establishment of National Food Policy with a goal of eliminating hunger and malnutrition. The Detroit Area Ad-Hoc Committee on Hunger believes that such a policy should include such points as:

1. The right of every citizen to an adequate diet.
2. The right of every child to adequate nutrition to assure good health and growth to his/her full potential.
3. Assurance of the nutritional quality and safety of the food supply.

3.

Thirdly, there is a need for continued dialogue on hunger between the food providers and the corporate community. This would allow for a better understanding on both sides of the issue and the development of long-range solutions on the local level.

The final step involves commitment by the corporations to change the system. A National Food Policy would provide a platform for issues to be discussed and resolved as well as an umbrella for resulting programs that are developed. Issues and programs may change, but the fundamental belief that people's right to life, liberty, and the pursuit of happiness includes the right to adequate food to meet nutritional needs would stand firm.

Action Plan - Short Term

In the meantime, emergency food providers are in need of continued financial support to enable the maintenance of programs now in place in order to meet the needs of those who will be seeking assistance during the next year. Funds can be directed to four areas:

1. Purchase of food to supplement USDA and FEMA allocations and contributions from other sources.
2. Transportation, storage, and distribution expenses.
3. Administration costs such as utilities, equipment and staff.
4. Monitoring and supporting current legislation related to food issues.

In summary, the Ad Hoc Committee requests that the corporate commitment on the development of a National Food Policy, access to all levels capable of providing support, and continued financial help for the coming year.

SHELTER

While everyone agrees that the numbers of homeless people are increasing, it is difficult to come with an accurate count. Nationally, figures range from 250,000 to 2.5 million. Based on a one time survey of agencies providing shelter care in February of 1984, United Community Service has estimated that the number of homeless persons in the tri-county Detroit area for 1983 is to be around 27,500. UCS also estimated that the number of homeless persons on a daily basis during the winter months is over 500. (In the above UCS estimates, it should be noted that statistics regarding persons seeking assistance from Domestic Violence Shelters and Runaway Youth Shelters have not been included in the estimates of homeless persons in the Detroit statistics.)

Part of the difficulty in coming up with definite numbers lies in the difficulty of defining the term "homeless." UCS in their report "Homeless Persons in the Metropolitan Area" defines the homeless as persons who lack sufficient funds or family or friends to provide themselves or their families with adequate protection or safety in either a permanent or temporary shelter

4.

for at least two nights without special assistance. Shelter providers see three groups as outlined in the Robert Wood Johnson Foundation, "Request for Proposal."

1. The Chronic or Traditional Homeless: a group of men and women, often described as "pan-handlers," "derelicts," or "bag-ladies," often moving from shelter to shelter.
2. The De-institutionalized Homeless: mentally ill persons discharged from institutions and lacking appropriate care and life-support in the community.
3. The New or Temporary Homeless: a broad group of people who have been "dis-housed" because of unemployment, welfare cuts, personal crisis, and the growing shortage of adequate low income housing.

According to Detroit area shelter providers, the most frequent reasons for people seeking shelter are as follows: unemployment, evictions, inadequate income or assistance payments that cannot cover housing; utilities; food and other household needs; lack of safe, decent, very low income housing; and finally, lack of housing options and related health-care and social services for the dishoused mentally ill.

Currently, there are 10 shelters in Detroit, 2 in Oakland County, and none in Macomb County. The service providers are private, voluntary organizations with a capacity of 469 beds; the average cost per person per night is \$18. Some shelters are partially supported by government funds. Few shelters provide social service programs for relocated residents.

There has been temporary funding for some emergency shelters for specified needs from the FEMA. These funds have been restricted, however, to tangible items such as food, small kitchen and shelter equipment, and limited administrative costs and have not usually been available for staff, transportation, medical and health care, prescriptions, child care, utility costs.

Action Plan - Long Term

The bottom line is that there must be a stable supply of safe, decent low income housing. HUD reports that there is no dearth of low income housing nationally, but the age and condition of most units make a large percentage of them unsuitable. There is considerable concerns in Detroit about the continued loss of low income housing due to demolition and neglect.

First, we recommend that the Governor take State leadership by appointing a Commission charged with the responsibility of developing a comprehensive housing strategy. The resultant statewide policy on housing would provide a focal point for housing issues which are currently scattered among numerous public and private agencies across the state. Included in such policy should be the establishment of a statewide minimum standard for existing housing, a certification process, and a mechanism for enforcement of the code.

5.

Secondly, special attention must be directed to the large numbers of de-institutionalized, mentally ill people who are released with no permanent address and no support services who are counted among the homeless. Shelters housing such clients face a variety of problems unique to this population:

1. Clients who need medication to keep symptoms under control often are without the medication or the funds to obtain it.
2. The very nature of mental illness produces symptoms which are counter-productive to the process of home-finding: disorganization, indecisiveness, passivity, unrealistic expectations.
3. Rules and regulations imposed by shelters for the protection of clients often are a problem for the mentally ill.
4. Confidentiality guaranteed to persons receiving mental health serviced often denies the shelter access to information regarding clients that might prove helpful in providing service to them.

For this population of homeless people, emergency shelters are not a solution to the problem. Pressure needs to be put on the Department of Mental Health to develop a policy that would insure that patients about to be released from institutions have a permanent address selected from a spectrum of housing options before they leave the institution. Funding must also be directed to provide the necessary community healthcare and social services for the de-institutionalized as specified in the 1963 Community Mental Health Law. The establishment of a central clearinghouse would be step in the right direction.

Finally, other issues to be addressed and supported include the following:

1. Consider Employment of DSS recipients who have completed training, and re-training in conjunction with the Jobs Training Partnership Act and other training programs, i.e. welfare recipients, dislocated workers and senior citizens.
2. Shorten the redemption period for tax and mortgage foreclosure on abandoned property allowing the property to be put back on the market in a more timely manner which allow persons to occupy and repair abandoned property more quickly.
3. Support state tax incentives to localities which have homesteading programs for low-income people.
4. Encourage cities to adopt requirements for distributing block grant money for rehabilitation and require at least 50% of the units after rehabilitation be affordable to low income households.

Action Plan - Short Term

It is generally agreed that there is a small population of chronic, homeless individuals who cannot utilize social services. It is crucial for the community to provide permanent shelters for these homeless individuals. It is equally important to insure provision of structured programs which would offer adequate social services to those who are seeking solutions to their homelessness.

Short-term solutions revolve around the increased need for existing emergency shelter programs and are listed below:

1. Unrestricted funds that can be allocated to shelters for unmet needs: transportation, childcare, medical prescriptions, etc.
2. Assistance with the problem of ever rising utility costs that has forced the closing of some shelters, i.e. a special rate for shelters.
3. Development of a centralized data collection system and emergency shelter hotline which would provide up-to-date information regarding daily bed availability, screen calls for the shelters to identify those who need assistance, make referrals to shelters, and provide accurate service and client data.
4. The provision of corporate public relations resources to prepare and produce public educations and media programs.

In summary, Detroit area shelter providers request commitment from the corporate community in addressing the problems of homelessness in any or all of three areas: funding for unmet needs such as things as transportation, child care, and utilities; in-kind services to develop public relations materials, solicitation of surplus goods, fundraising techniques and sources; influence local and state government to establish policies conducive to permanent solutions. Finally, we would encourage a continuing dialogue between the corporate community and shelter providers.

A REVIEW OF HUNGER AND HOMELESS NEEDS IN METROPOLITAN DETROIT

September, 1984

There seems to be general consensus now that the problem of hunger is no longer just a temporary situation created by the economic recession. The homeless, the hungry and persons with emergency needs have been with us for many years. Our concern now is the degree of need in the future and the long range solutions required.

In determining the number of persons who are affected by hunger, we need to review three key indices; unemployment, food stamp recipients and persons below poverty level.

Unemployment

June is the most recent month for which employment statistics for the Detroit Metropolitan Area are available. Since June 1979, just prior to the recession, to June 1984, our civilian labor force in the tri-county Detroit area has decreased three percent from 1,935,950 to 1,883,450 persons. During this same five year period, employed persons have decreased 6.5 percent from 1,794,600 to 1,678,000 persons and unemployed persons have increased 45.3 percent from 141,350 to 205,450 persons.

During our 56 consecutive months of double digit unemployment rates, the number of unemployed persons in the Detroit Area has been as high as 330,000, including over 100,000 in the City of Detroit. For many of these individuals, unemployment insurance benefits provided substantial assistance. Whereas, almost 75 percent of the unemployed persons were covered by unemployment insurance during 1980 and 1981, the prolonged recession and continuing unemployment has meant fewer people were eligible and now, only about 25% of the unemployed receive MESC payments.

Employment and Unemployment, Michigan and
the Detroit Metropolitan Area by County: June 1979 and June 1984

Item and area	Civilian labor force	Employed	Unemployed	
			Number	Rate
<u>June 1984</u>				
Michigan	4,451,000	3,949,000	503,000	11.3
Detroit Metropolitan Area, total ...	<u>1,883,450</u>	<u>1,678,000</u>	<u>205,450</u>	<u>10.9</u>
Macomb County	326,750	288,200	40,550	12.3
Oakland County	465,525	419,800	45,725	9.8
Wayne County	<u>1,089,175</u>	<u>970,000</u>	<u>119,175</u>	<u>10.9</u>
Detroit city	507,200	434,725	72,475	14.3
Remainder of county	581,975	535,275	46,700	8.0
<u>June 1979</u>				
Michigan	4,316,000	4,009,000	307,000	7.1
Detroit Metropolitan Area, total ...	<u>1,935,950</u>	<u>1,794,600</u>	<u>141,350</u>	<u>7.3</u>
Macomb County	335,500	308,225	27,675	8.2
Oakland County	476,875	448,975	27,900	5.9
Wayne County	<u>1,123,175</u>	<u>1,037,400</u>	<u>85,775</u>	<u>7.6</u>
Detroit city	517,100	464,950	52,150	10.1
Remainder of county	606,075	572,450	33,625	5.5
<u>Change, 1979 to 1984</u>				
Michigan	135,000	- 60,600	196,000	
Detroit Metropolitan Area, total ...	<u>- 52,500</u>	<u>-116,600</u>	<u>64,100</u>	
Macomb County	- 7,150	- 20,025	12,875	
Oakland County	- 11,350	- 29,175	17,825	
Wayne County	<u>- 34,000</u>	<u>- 67,400</u>	<u>33,400</u>	
Detroit city	- 9,900	- 30,225	20,325	
Remainder of county	- 24,100	- 37,175	13,075	
<u>Percent Change, 1979 to 1984</u>				
Michigan	-3.1	-1.5	63.8	
Detroit Metropolitan Area, total ...	<u>-2.7</u>	<u>-6.5</u>	<u>45.3</u>	
Macomb County	-2.1	-6.5	46.5	
Oakland County	-2.4	-6.5	63.9	
Wayne County	<u>-3.0</u>	<u>-6.5</u>	<u>38.9</u>	
Detroit city	-1.9	-6.5	39.0	
Remainder of county	-4.0	-6.5	38.9	

Source: Michigan Employment Security Commission.

United Community Services of Metropolitan Detroit
September, 1984

Even when our local economy has again peaked, we will still not have a seven percent unemployment rate like we did in 1979. The unemployment rate will probably not fall below 8.0 to 8.5 percent.

Food Stamp Program

Unemployed and without financial resources, many have turned to government in order to have food for themselves and their families. In all three areas; Michigan, the Detroit Area and Wayne County, there are now seventy percent more households receiving food stamps than there were five years ago, and fifty percent more people are now covered by the program. The value of food stamps in Michigan increased from \$18 million in July 1979 to over \$50 million this last March. It was over \$21 million in Wayne County. Each household in Michigan received an average value of \$44.47 in stamps per persons in July and the average was \$46.84 in Wayne County. This would be about \$1.50 per day. These monthly average stamp values have increased 64 percent since 1979 in the State of Michigan and 72 percent in Wayne County.

Food Stamp Households and Total Persons Assisted, Michigan and Detroit Metropolitan Area by County: July 1979 and July 1984

Area	Households		Total persons	
	July 1984	July 1979	July 1984	July 1979
Michigan	433,048	250,548	1,048,359	664,140
Detroit Metropolitan Area	228,727	133,471	521,769	339,427
Macomb County	12,785	7,820	31,213	19,486
Oakland County	20,296	10,504	50,103	27,497
Wayne County	195,646	115,147	440,453	292,444

Source: Michigan Department of Social Services.

Despite the fact that food stamp households have decreased for the fourth straight month, there are still seven percent more households receiving food stamps in the City of Detroit than in December 1982 when Mayor Coleman Young proclaimed a state of emergency. Food stamp

households continue to increase in Wayne County and almost all DSS offices in the City of Detroit have more cases than a year ago, including six offices with increases of 5% or more.

The Michigan Department of Social Services is not anticipating a substantial decline in food stamp households. The current 433,000 food stamp households in the state is forecasted to decline only about nine percent to about 396,000 households in the fourth quarter of calendar year 1985 and then increase slightly before becoming stable at just over 400,000 households. This high level of food stamp households will remain despite continuing improvement in employment. Declines in the Unemployment Rate over the last several years have not produced declines in our local Food Stamp Recipient Rate.

Persons Below Poverty Level

Unemployment, combined with serious illness, often due to postponed health care and inadequate diets, and family problems worsened by financial difficulty, have brought increasing numbers of citizens to be below the poverty level. The 1980 Census determined that 414,000 residents or 10 percent of the tri-county area were living below the poverty level, including 285,000 Detroit city residents or 22 percent. Recent Bureau of the Census estimates indicated that there were 522,000 Detroit Area citizens living below the poverty level in March 1981 and 715,000 in March, 1983. For these same two times there were an estimated 344,000 and 424,000 persons below the poverty level in the City of Detroit.

The United Community Services estimates that there are now about 620,000 persons below the poverty level in the Detroit Area and about 420,000 persons below the poverty level in the City of Detroit. These persons represent about 15.5 percent and 36 percent of the total residents, respectively.

5.

Persons Needing Food Assistance

But persons below the poverty level are not the only ones who have difficulty in purchasing adequate food or who buy food instead of other necessities, such as health care, shelter or clothing. National studies have determined that poor people spend a higher proportion of their income on food, up to 40%. The near poor also spend disproportionately for food. The Bureau of the Census also indicates that the near poor, or persons between 100% and 125% of the poverty level have one person for every three persons below the 100% of poverty level.

Using these Census data, the UCS also estimates that there are around 825,000 persons in the Detroit Area who could benefit from some food assistance, of which about 560,000 live in the City of Detroit.

Households Provided Food Stamps, Michigan,
 Detroit Metropolitan Area and Wayne County: July 1979 to 1984
 and Projections for Michigan: 1984 to 1986

Date	State of Michigan	- Detroit Metropolitan area	Wayne County
<u>Actual</u>			
July 1979	250,548	133,471	115,147
July 1980	350,316	182,690	155,193
July 1981	395,833	209,688	177,079
July 1982	388,702	206,057	173,462
July 1983	439,918	230,639	193,747
July 1984	433,048	228,727	195,646
<u>Projections</u>			
1985, 1st Quarter ...	424,900		
1985, 3rd Quarter ...	400,300		
1986, 1st Quarter ...	406,600		
1986, 3rd Quarter ...	406,200		

Source: Michigan Department of Social Services.

United Community Services of Metropolitan Detroit
 September, 1984

THE UNITED COMMUNITY OMBUDSMAN

An Organization of Volunteers Involved With the Human Rights, Human Needs and the Hurts of Individual Citizens and Grassroot Neighborhoods Throughout the Detroit-Metropolitan Area. Established February 1, 1971.

Ronald L. Seigel, Director

P.O. Box 03015

Detroit, Michigan 48203

March 14, 1986

The Honorable U.S. Congressman Leon Panetta
Chairman
Committee on Agriculture
U.S. House of Representatives
1301 Longworth
Washington, D.C. 20515

Dear Congressman Panetta:

I was present at the March 7 hearing in Detroit on food stamp policies. While I was not allowed to speak at the hearing, you stated it was possible for small organizations to send a statement to the Committee on Agriculture.

I am requesting that you place my enclosed statement in the record. I recognize that this material may arrive after the ten day deadline you established. I have been busy for the past week on emergency situations and could not get to typing it. The four suggestions I raised can affect many families and individuals and in some cases may mean the difference between life and death. I believe they deserve fair consideration from your committee.

Thank you for your courtesy and consideration.

Sincerely,

Ronald L. Seigel

Ronald Seigel
Director
United Community Ombudsman

Enc.

THE UNITED COMMUNITY OMBUDSMAN

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Ronald L. Seigel, Director

P.O. Box 03015

Detroit, Michigan 48203

STATEMENT TO THE HOUSE COMMITTEE ON AGRICULTURE

By Ron Seigel, Director

United Community Ombudsman Organization

For fifteen years, I have been Director of the United Community Ombudsman organization, a civic group involved in helping people find services and aiding them in dealing with service agencies. From this experience, I can see how many present food stamp policies and some policies which have been proposed may be cruel and harmful, could interfere with the professed goals of the Reagan Administration and even lead to higher expense.

(1) Attempts to cut food stamps for the working poor marginally above the poverty level would be a cruel policy. Many people could not survive the hunger and hardship of being without food stamps. It would also be a self-defeating policy. It might well discourage many recipients from seeking temporary, part time, or low wage jobs or jobs they were not absolutely confident of keeping. They would be forced to cut themselves off from work experience that might lead to full time permanent employment. In short, this policy could be cultivating welfare dependency and discouraging action that would lead to independence.

(2) In the same way, the bureaucratic red tape about getting on food stamps or returning to food stamps discourages people from risking the possibility of taking a job they are not sure they can keep. It is certainly cruel to make people wait 45 days before they can get on food stamps and 10 days before they can return to it, be-

Statement to the House Committee on Agriculture, page 2

cause this means they may be left without sufficient food for that period of time. Individuals and families cannot be blamed for avoiding this experience. Such policies place those who want to work in an impossible situation.

(3) In computing income eligibility for food stamps, I urge the government to restore the full deduction for medical expenses. Our organization in the past has supported the President's so-called "Baby Doe" regulations providing direct government action protecting babies with handicaps from starvation or discriminatory medical neglect in hospitals. However, food stamp and social service policies, which ignore medical expenses, pressure families to endorse such measures, by making it harder for them to care for relatives. Practically such policies represent a cruel form of euthanasia, forcing people on food stamps to starve themselves or neglect their own medical care. They seriously weaken the effectiveness and credibility of the administration anti-euthanasia and right to life position and subvert the efforts of officials like Dr. Koop to educate the public on this issue.

(4) My last suggestion goes to the heart of my report. It involves the administration's continuing attempts to add regulations and paperwork in order to catch welfare cheaters, and its interference with state social service practices in order to coerce the states to implement its ideas. Such actions have clearly harmed innocent people. There are long delays before people can get on food stamps. People have to wait for services even in emergency cases, such as receiving a form for medicine necessary for life. Workers are so busy handling and reviewing complex forms (like the 23 page application) that they can't see clients at all several days of the week. Service workers and supervisors either become numb from burnout or become hostile to the clients, taking out the frustra-

STATEMENTS TO THE HOUSE COMMITTEE ON AGRICULTURE, page 3

tions on the client or feeling defensive about implementing policies they have no control over but feel they must defend against client complaints. At the Detroit hearing of March 7, it was stated that older people often refuse to apply for food stamps because they see receiving aid as a stigma. The whole atmosphere of the social service offices makes clients feel demeaned, whether they are young and old.

Surely it is possible to catch welfare cheaters without penalizing the innocent. I would suggest that congress get the president and his administration to handle regulations on the poor in the same way that he agreed to handle regulations for business. I would suggest he be encouraged or compelled to make a cost-benefit analysis for any social service regulation he seeks to introduce and the congress attempt a cost benefit analysis of social service or food stamp regulations being proposed or currently on the books.

Among the points which should be considered in the analysis are (a) whether the expense of the paperwork and the implementation of the regulations costs more than the fraud it was designed to correct; (b) whether the regulations are directed against large scale cheaters or those making a few dollars above the maximum allowed level and who need services and food stamps to survive; (c.) do the regulations prevent workers from serving the needs of legitimate clients? (How ^{many} ~~much~~ man hours a week does it take to implement the regulations? How many fraud cases are captured? How many innocent people might be neglected to carry out the regulations? Could federal funds be used to hire new workers to carry out the federal regulations?

In making such a cost-benefit analysis, those on social services, the aged, unemployed and those with handicaps (possibly through organizations representing them) should have input and a chance to voice their concerns.



Oakland Division

**UNITED
COMMUNITY
SERVICES**
OF METROPOLITAN DETROIT

29508 Southfield Road / Telephone: 569-4208 / Southfield, Michigan 48076

February 26, 1986

The Honorable Leon Panetta, M.C. for California
Chairman, House Agricultural Subcommittee on
Domestic Marketing, Consumer Relations and
Malnutrition
Room 339, Cannon House Office Building
Washington, D.C. 20515

Dear Congressman Panetta:

As the Director of the Oakland (County) Division of United Community Services, I am pleased to know you are holding hearings on the problems of hunger and malnutrition in the Detroit area.

Enclosed are a Food and Nutrition Needs Assessment and it's Summary Report of the status of existing nutrition related services compared to the identified need in Oakland County. We hope that the information can be included into your final report.

As background, United Community Services of Metropolitan Detroit is to serve the people of metropolitan Detroit and southeastern Michigan by providing community planning and problem-solving leadership which:

- Researches, forecasts and plans for human service needs;
- Responds to community needs by developing and implementing demonstration projects and ongoing community service programs;
- Promotes citizen involvement and public action; and
- Provides administrative services to assist other community organizations.

The Oakland Division of United Community Services created a Food and Nutrition Committee in November of 1983 to enhance the coordination of food and nutrition resources through such activities as: pooling needs assessments and documentation, monitoring and advocating for services when necessary, tracking funding sources and public expenditures, promoting nutrition education, and encouraging research into the long range effects of hunger issues, policies, and programs. The Committee was comprised of thirty-five professionals and lay people involved in the issues of hunger and malnutrition.



Main Office:



51 W. Warren Avenue / Telephone: 833-0622 / Detroit, Michigan 48201

February 26, 1986
Page -2-
Congressman Panetta Letter

Highlights of the findings included the following:

- In 1980, there were 217,535 Oakland County citizens living on incomes at or below 200 percent of poverty (less than \$14,824 for a family of four) and they constitute 21.5 percent of the total population in a county which ironically ranks among the wealthiest in the Nation.
- Existing programs serve less than 50 percent of their at-risk populations, with the lowest being only 22.6 percent (Food Stamps serve only 26.4 percent of the individuals at nutritional risk).
- Over 5,200 deaths were due to nutrition related diseases in 1983 alone in Oakland County (compares with 137 deaths due to motor vehicle accidents in the same year).
- From 1980 to 1982, the estimated number of pregnant women, infants and children at-risk increased from 25,000 to over 36,000. It is also estimated that 76 percent of this population is in need of nutrition and health referral, education and counseling.
- There was a loss of 2,200 children in the free and reduced priced school lunch program related to a change in the eligibility requirements, even with an enrollment increase in Oakland County and an increase in the numbers of children eligible for social services.
- About 85 percent of the senior citizens at 200 percent of poverty level do not have access to food and nutrition programs, and 49 percent of those at poverty level are not being served by area programs.
- There are currently over 40,000 people being fed monthly through emergency food programs. Only slightly over half of them receive ADC and/or Food Stamps. The majority are two-parent families followed by single-parents with children who are unable to meet all their basic needs on a limited income.
- It is estimated that only 3 to 5 percent of the at-risk population receive nutrition and health information as well as education and counseling resources.
- Access to optimal nutrition is restricted by transportation problems, location of services, waiting lists, improper referral, personal disability, lack of knowledge about the consequences of poor nutrition and lack of nutrition related resources.

February 26, 1986
Page -3-
Congressman Panetta Letter

Enclosed in the Summary Report are Community Action Plans which the Committee and various community groups are addressing, along with additional areas to be pursued. There are also Public Policy Recommendations which we hope will be seriously considered by your Committee and Congress.

In summary, we have not seen improvements in services to people at nutritional risk, and therefore, have not seen improvements in their health and well-being. Government programs are inadequate and the burden has fallen on voluntary programs which have had very limited and diminishing resources to meet the expanded needs.

Please help us improve the quality of life for people in America. The mind and body of a malnourished child do not reach full potential and a child who starts out the day hungry will not learn at the rate of its nourished peers. Senior Citizens on limited income will more readily succumb to influenza and pneumonia because of inadequate diets. Through the prevention of nutritional disorders, the high cost of medical care and disability can be reduced. Individuals will be better able to reach their physical and mental potentials and increase their productivity at work or school.

Thank you for your concern.

Sincerely,

Paula Shoecraft

Paula Shoecraft, Director
Oakland Division, UCS
(313) 569-4208

PS/jr
Enclosures (2)

Good morning. I am Stuart White, Legislative Director for the Michigan Office of Services to the Aging. I am representing Olivia Maynard, the Director. I am here to address two problems that the older population in Michigan is facing in the area of food and nutritional needs.

USDA/Food Assistance or Cash in Lieu
Nutrition Program Authorized by
the Older Americans Act

Background

Since 1977, the senior nutrition program has been offered the option of receiving commodities or cash in lieu of commodities on a per meal entitlement basis. Unlike the formula grants to states, these funds tend to reward states for local effort and productivity since they are allotted on a per meal basis. States that have low meal cost, high meal productivity and supplemental state and local funds will receive a bigger portion of USDA funds than states who have not made these efforts. These payments were to be adjusted yearly to reflect changes in the CPI and were open-ended. The 1981 amendments to the OAA put a cap on the commodity funds. The cap was to reflect the Department of Agriculture's projections for meals to be served while making some allowance for CPI changes. The amendments also allowed USDA to reduce the entitlement when

appropriated amounts were not sufficient. In 1982 and 1983, supplemental bills were needed to appropriate adequate funds.

Problem

In FY'85 USDA (December 10, 1984) informed states that the entitlement would be 58.75¢. Due to higher than anticipated meal levels, USDA invoked the 1981 provisions and reduced the per meal reimbursement to 56.76 (.26¢ over FY'84 with an inflation rate of 4%). This rate was further reduced to 52.52 in the 4th quarter of FY'85. As of this date, OSA has not received a final payment for FY'85. Although Michigan has lobbied hard for a supplemental appropriation, there appears to be two problems:

1. The OAA as amended in 1984 sets the authorization level at the current appropriation level. Therefore, we will need increased authorization.
2. Congress was not hearing from other states.

Solution

Congressmen Biaggi and Kildee have introduced HR 2453 which would increase the authorized level for USDA as follows:

Current

Proposed

	<u>Authorization</u>	<u>Authorization</u>
FY'85	\$120.8 M	\$125.8 M
FY'86	\$125.9 M	\$135.9 M
FY'87	\$132.0 M	\$147.0 M

HR 2453 also deletes the authority of USDA to reduce the per meal reimbursement. The bill also allows funds to be used to bring FY'85 meal reimbursement back up to 56.76¢ and leave that rate in effect for FY'85 and FY'86.

Update

HR 2453 has passed the house, the Senate passed a slightly different version. Although the house tried to take it up through suspension of rules, at this point no action has been taken. OSA has received nothing in writing for FY'86 cost reimbursement. The president's budget for FY'87 is 5 million less than 1986 estimate of program costs. The difference between 56.76¢ and 52.52¢ for OSA is \$500,000. Without these funds, OSA will lose over \$300,000 meals. It exacerbates the effect of Gramm-Rudman-Hollings.

OSA has had to take the following action:

1. Reduce nutrition providers per meal reimbursement to .50 as of March 3.
2. Make providers aware that further reductions may be necessary.

We urge the Congress to accept HR 2453 or its substitute so that nutrition service providers will know how to budget funds for FY'86.

FOOD STAMPS

The omnibus farm bill (HF 2100) of 1985 included expanded eligibility guidelines for food stamp recipients.

Rescission of Enhanced Eligibility Guidelines (Food Stamps)

Proposed Change

For FY'1987 the Administration is proposing the rescission of expanded eligibility guidelines entailed by the omnibus farm bill (HR-2100) of 1985. If not repealed, these new guidelines are scheduled to go into effect on May 1, 1986.

Current Policy

Effective May 1, 1986, eligibility guidelines for the Food Stamp Program are scheduled to be expanded in the following fashion: 1) the non-exempt asset limit for most food stamp households would be raised from \$1,500 to \$2,000, 2) the non-exempt asset limit for an elderly household comprised of one member would be raised from \$1,500 to \$3,000, 3) the standard earned income deduction would be raised from 18 percent to 20 percent of gross earnings, 4) the maximum deduction for excess shelter expenses would be raised from \$139 to \$147 per month, and 5) a separate dependent care deduction would be established at \$160, thus effectively raising the combined maximum dependent care/excess shelter deduction from \$139 per month to \$307 per month.

Impact on Michigan

If these enhanced food stamp eligibility guidelines are repealed, many otherwise-eligible, low-income households would not qualify for food stamp benefits, and the monthly food stamp allotment for a significant number of active food stamp recipients would be lower. In fact, repealing the separate dependent care deduction alone could cost some households up to \$51 per month in reduced benefits. Also, if the Administration's estimated FY'1987 savings of \$189 million for this rescission is correct, this would mean a loss of approximately \$9.5 million in additional food stamp benefits that would have been spent in Michigan during FY 1987.

Effect on Seniors

Of the more than 230,000 older persons estimated to be eligible for food stamps, less than 38,000 participate. These guidelines for the Food Stamp Program would increase the number of older persons receiving a balanced diet. The President's FY'87 budget rescinds these new guidelines. We oppose this rescission.

OSA Position

OSA opposes this proposal. At the present time, the average AFDS food stamp household receives combined food stamp and AFDC benefits that add up to 78 percent of the federally determined poverty level, and these enhanced food stamp eligibility guidelines comprise a bipartisan effort to redress this obvious inequity. The Administration's proposal to repeal these guidelines is simply unfair treatment for many of our more vulnerable citizens.

DAAA5

**REVIEW OF PRESIDENT'S FISCAL YEAR 1987
BUDGET PROPOSALS FOR THE FOOD STAMP
PROGRAM, THE TEMPORARY EMERGENCY
FOOD ASSISTANCE PROGRAM, THE COMMODITY
SUPPLEMENTAL FOOD PROGRAM, AND
RELATED NUTRITION PROGRAMS**

WEDNESDAY, APRIL 16, 1986

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON DOMESTIC MARKETING,
CONSUMER RELATIONS, AND NUTRITION,
COMMITTEE ON AGRICULTURE,
Washington, DC.

The subcommittee met, pursuant to call, at 9:45 a.m., in room 1300, Longworth House Office Building, Hon. Leon E. Panetta (chairman of the subcommittee) presiding.

Present: Representatives Staggers, Olin, and Emerson.

Also present: Representative E (Kika) de la Garza, chairman of the committee; Representative Morrison, member of the committee; Representatives Oberstar, Rahall, and Vento; and Resident Commissioner Fuster.

Staff present: Charles R. Rawls, associate counsel; Mark Dungan, minority associate counsel; Glenda L. Temple, clerk; Jim Rotherham, Deborah A. Dawson, Anita R. Brown, Bernard Brenner, and Lynn Gallagher.

OPENING STATEMENT OF HON. LEON E. PANETTA, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. PANETTA. The Subcommittee on Domestic Marketing, Consumer Relations, and Nutrition is now in order for the purpose of receiving testimony on the President's budget proposals for the programs under the jurisdiction of the subcommittee, and on other issues that relate to the work of the subcommittee that were involved, in particular, in last year's work on the Food Security Act.

Obviously, the President's budget proposals give me a feeling that we on the subcommittee sometimes are like Sisyphus, in that we roll a very heavy stone up a steep hill only to have it roll down as it nears the top. I have this feeling because 5 weeks after the President signed the Food Security Act of 1985, he transmitted to the Congress a budget that, if enacted, would indeed repeal most of the provisions contained in the act which related to nutrition programs under the jurisdiction of the subcommittee.

I thought, and I think it was our feeling, that the President shared our concern about the hunger issue, in that the Congress

had spoken clearly on it and the President supported the steps that were contained in the final Food Security Act. We all had to make very difficult choices; we had some battles within the subcommittee and on the floor; we fought some serious battles in conference, and we were able to arrive at an agreement at that time to try to provide some assistance to millions of Americans.

Difficult choices were necessary to stay within the severe budgetary constraints which have been imposed on all of us by virtue of the deficit crisis. Last year's legislation was not only responsive to the immediate budgetary constraints but I think was also a prudent investment in the future.

Let's not kid ourselves that adequate nutrition is not an investment. Some feel that it's just an expenditure. It is not just an expenditure. It is an investment in people and, therefore, an investment in our future. If people are malnourished, then society pays. Maybe through higher welfare costs because malnourished children seldom succeed in school and, therefore, often cannot get decent jobs as adults; or maybe society pays because there are not enough healthy young people to serve in our armed forces.

A justification of nutrition assistance on national security grounds is not a new concept. The oldest nutrition program funded by the Federal Government is the school lunch program. The statement of purpose of the School Lunch Act retains the language inserted 40 years ago, that "it is a measure of national security to safeguard the health and well being of the Nation's children."

In contrast, the budget that has been provided by the administration would disinvest in order to achieve some short-term budgetary savings. I submit that these savings are likely to result in near-term costs. I am not in this context addressing inadequate nutrition for which the costs, while real to those affected, are not easily measured because we ignore long-term costs in the Federal budget process. Some of the proposals in the President's budget, I fear, may indeed create real costs in the immediate future.

One example is reimbursement to States for administrative costs. The President's budget proposes a reduction in funding to States of \$186 million in fiscal year 1987 through changes in reimbursement formulas for computer acquisition and administrative reimbursement as well as from fiscal sanctions.

In recent years, State and local governments have been working together with the Department of Agriculture to reduce erroneous payments in the Food Stamp Program. Not only does the President's budget risk jeopardizing this cooperative arrangement, but I think the reduction in administrative funding could cause Federal costs to increase due to higher payment errors if State and local governments are not able to make up the shortfall in administrative funding. This shortfall would be significant. It represents almost a 10-percent reduction.

A second example is the employment and training initiative which the subcommittee developed. The final product in the Farm Security Act represented a bipartisan effort. Not only does the President's budget propose to substitute for this agreement a rather inflexible approach which substitutes fiats on States for the performance-based incentives that we built into the Food Security Act, but the funding level in the President's budget also jeopardizes

the viability of employment and training as an alternative to prolonged dependency on food stamps.

Hunger remains a serious domestic threat. The danger of increasing hunger has been recognized by this subcommittee, by Presidential commissions, by studies, and by the Congress. This is no time to retreat. In a few weeks there will be a national effort to bring attention to domestic hunger needs in the "Hands Across America" campaign. I think it would be a sad commentary if the Congress, faced with this renewed national attention to hunger, were to back away from the minimal gains that have been made. This hearing is intended to call attention to those gains, to warn against the threat, and to renew our commitment to end the national shame of hunger in our society.

[The prepared statement of Mr. Panetta follows:]

OPENING STATEMENT OF THE HONORABLE LEON E. PANETTA
CHAIRMAN, SUBCOMMITTEE ON DOMESTIC MARKETING,
CONSUMER RELATIONS, AND NUTRITION,
HOUSE COMMITTEE ON AGRICULTURE

APRIL 16, 1986

The purpose of today's hearing of the Subcommittee on Domestic Marketing, Consumer Relations, and Nutrition is to receive testimony on the President's budget proposals for the programs under the jurisdiction of this Subcommittee and on some of the issues left over from the work this Subcommittee did last year on the Food Security Act.

I must confess that the President's budget proposals give me the feeling that we on the Subcommittee are like the legendary Sisyphus -- condemned to roll a heavy stone up a steep hill only to have it roll down as it nears the top. I have this feeling because five weeks after the President signed the Food Security Act of 1985, he transmitted to the Congress a budget that, if enacted, would repeal most of the provisions in the Act which pertained to nutrition programs under the jurisdiction of this Subcommittee. I thought that the Congress had spoken clearly on this issue. Last year, we all made some difficult choices in developing a compromise package to provide needed nutrition assistance to millions of Americans. Difficult choices were necessary to stay within the severe budgetary constraints which have been imposed on us by the deficit crisis. Last

year's legislation was not only responsive to the immediate budgetary constraints but was also a prudent investment in the future.

Let's not kid ourselves that adequate nutrition is not an investment. If people are malnourished, society pays. Maybe society pays through higher medicaid costs; maybe society pays through higher welfare costs because malnourished children seldom succeed in school and therefore often cannot get decent jobs as adults; or maybe society pays because there are not enough healthy young people to serve in our armed forces. A justification of nutrition assistance on national security grounds is not a new concept. The oldest nutrition program funded by the Federal government is the school lunch program. The statement of purpose of the School Lunch Act retains the language inserted 40 years ago that it is a "measure of national security to safeguard the health and well being of the nation's children."

In contrast, the President's budget would disinvest in order to achieve some short term budgetary savings. I submit that these savings will likely result in near-term costs. I am not in this context addressing inadequate nutrition for which the costs, while real to those affected, are not easily measured because we ignore long-term costs in the Federal budget process. Some of the proposals in the President's budget, I fear, may create real costs in the immediate future.

One example is reimbursement to States for administrative costs. The President's budget proposes a reduction in funding

to States of \$186 million in fiscal year 1987 through changes reimbursement formulas for computer acquisition an administrative reimbursement as well as from fiscal sanctions. In recent years, State and local governments have been working together with the Department of Agriculture to reduce erroneous payments in the food stamp program. Not only does the President's budget risk jeopardizing this cooperative arrangement but the reduction in administrative funding could cause Federal costs to increase due to higher payment errors if State and local governments are not able to make up the short fall in administrative funding. This shortfall will be significant. It represents almost a 10 percent reduction.

A second example is the employment and training initiative which this Subcommittee developed. The final product in the Farm Security Act represented a bipartisan effort. Not only does the President's budget propose to substitute for this agreement a rather inflexible approach which substitutes fiats on States for the performance-based incentives in the Food Security Act, but the funding level in the President's budget also jeopardizes the viability of employment and training as an alternative to prolonged dependency on food stamps.

Hunger remains a serious domestic threat. The danger of increasing hunger has been recognized by this Subcommittee, by Presidential commissions, by studies and by the Congress. This is no time to retreat. In a few weeks, there will be a national effort to bring attention to domestic hunger needs in the "Hands

Across America" campaign. It would be a sad commentary if the Congress faced with this renewed national attention to hunger were to back away from the minimal gains that have been made. This hearing is intended to call attention to those gains, to warn against the threat, and to renew our commitment to end the national shame of hunger in our society.

The Subcommittee will first receive testimony from several of my distinguished colleagues who are concerned about the President's budget proposals as well as some of the difficult issues with which this Subcommittee grappled last year during the tortuous development of the Food Security Act.

We will hear from the Honorable Bruce Vento on the problems created by the proposal to terminate the Temporary Emergency Food Assistance Program.

The Honorable Sid Morrison will discuss the difficult issues involved in ensuring that we do not discourage food stamp recipients seeking to escape welfare dependency from pursuing higher education.

Third, we will be privileged to hear from the Honorable Jaime Fuster, Resident Commissioner of Puerto Rico, on the difficulties created for the Commonwealth by the failure to fully fund the nutrition assistance grant which the Congress approved last year.

Next the Subcommittee will hear from Robert Leard, the Administrator of the Food and Nutrition Service who will explain the President's budget proposals for food stamps and the commodity distribution program. We had hoped also to hear from

John Bode, Assistant Secretary of the Department of Agriculture for Food and Consumer Services, who is unable to attend the hearing.

Then the Subcommittee will receive the perspective of State and local officials tasked with administering the food stamp program.

Testimony will also be received from some of the people most directly on the firing line -- the dedicated workers at non-profit organizations who provide food directly to low-income persons. The Subcommittee will also hear from representatives of public interest groups concerned about the issues with which this Subcommittee deals.

Finally, the Subcommittee will hear from Mr. Brian Crowley of the General Accounting Office, who will testify on studies which that organization has done on administrative issues which relate to some of the proposals in the President's budget.

Mr. PANETTA. Mr. Emerson.

**OPENING STATEMENT OF HON. BILL EMERSON, A
REPRESENTATIVE IN CONGRESS FROM THE STATE OF MISSOURI**

Mr. EMERSON. Thank you, Mr. Chairman.

The purpose of today's hearing is to review the proposals submitted by the Department of Agriculture for the Food Stamp Program, the Temporary Emergency Food Assistance Program, and other nutrition programs. The representatives of the USDA will explain their proposals, of which there are some that I will support and some others I cannot.

However, before we begin that debate, I would like to discuss the current status of the Food Stamp Program and what changes have been made in that program over the past several years. The Food Stamp Program serves an average of 21.4 million people per month, or 36 million over the course of a year, at a cost in 1985 of \$12.5 billion. The major change in the Food Stamp Program in recent history took place in 1977 when significant changes were made by tightening the administration and certain eligibility requirements and by removing the requirement that food stamps be purchased by participants. Since that time, there have been several amendments to the program—in 1978, 1979, 1980, 1981, 1982, 1983 and in 1985.

All made significant changes to the Food Stamp Program. Some cost money and some saved money. In the latter case, sometimes the amount saved that was actually realized was not the amount that was forecast. Nevertheless, the net result was an increase in the overall cost of the program, increased benefits and provisions aimed at improving the administration of the program.

Improvement in the administration of this \$13 billion program is sometimes seen differently, depending on whether it is looked at from the standpoint of a participant, a State, or a Federal perspective. I believe that as members responsible for oversight of the Food Stamp Program we must take all these perspectives into consideration, including the position of the Food Stamp Program in the overall Federal budget.

That is my intention as we hear from our witnesses today. One area in particular that I would like to hear our witnesses discuss is how the program is operating in States and communities across the United States. Are there barriers to participation inherent in the program? Can State administrators get their jobs done effectively and efficiently? Is the Federal Government providing assistance to State food stamp agencies and monitoring the program?

For example, there are several provisions in the act in which Federal administrative funding is either provided or withdrawn from States based on their performance in running the Food Stamp Program. Is this adequate, or too lenient? These provisions include:

Federal payment of 50 percent of State administrative costs; Federal payment of 75 percent of the cost of setting up food stamp computer systems; Federal payment of 75 percent of the cost of State antifraud activities; Federal payment of 60 percent of State administrative costs for those with low error rates; and a reduction

in the Federal payment of State administrative costs for those States with high error rates.

There are others. However, these are the major tools used to improve the administration of the Food Stamp Program. I would like to hear from our witnesses on this issue.

Eligible food stamp participants must be provided the correct amount of benefits in as an efficient and effective manner as is possible. Good administration of the Food Stamp Program can ensure this.

There is one other area that I would like to discuss, and that is employment and training programs as a part of the Food Stamp Program.

The 1985 farm bill contained a new employment and training program which I authored—and I appreciate the assistance given to me by Chairman Panetta in this effort and his willingness to work out our differences on this issue. I believe that this can be a good program. The purpose of the program is to help certain food stamp participants move into regular employment by providing training and experience and improving the employability of the participants. It also allows States to coordinate employment and training activities under both the Food Stamp Program and the AFDC program.

The program itself may encompass job search, training and support programs, training in employment techniques, and job placement. A State may design its program based on its AFDC community work experience program, workfare, or it may devise a program in which food stamp participants are given work assignments.

State flexibility in my judgment is an essential part of this program because the best employment and training programs are those to which State administrators are themselves committed and which they design themselves. The program operating in San Diego County, CA, for example, is a very good example of an innovative program designed to meet the needs of a particular area.

I have several recent newspaper articles that I want to include in the record which demonstrate this point. I firmly believe that the best way we can help those food stamp participants who are able to work is to provide them with the means whereby they can step into the private sector and become taxpayers. That is the real help and the real benefits to this group of needy people.

Mr. Chairman, we all know that food assistance is provided by both the private sector and all levels of government in considerable quantities, and in quantities of dollars and food that have been growing over the years.

I would like to mention one group in my district that has worked diligently to provide for their neighbors—the Howell County Volunteers. This group serves meals, gives bags of food, furniture, and clothing to needy families. In addition, this little county group runs a shelter, its own shelter, for battered women and children. They rely on support from the community and from people in that community volunteering their time. The Howell County Volunteers are an example of such groups that operate all across the United States, and I think we should recognize groups like this and commend them for their very fine efforts.

I think we all realize that the issue of hunger in America is a complex one. It is much broader than food assistance programs or the surplus commodity distribution program. The choices families make on how and when to spend the funds available to them depend on where they live, the cost of housing and utilities, the job market, and other variables. Two families with identical incomes and expenses will choose to spend the money in different ways—one able to save and the other barely able to make ends meet.

My point is this: We cannot hope to resolve the problem of hunger in America by pointing fingers, casting aspersions on the characters of others, and generally offering inaccurate or misleading information in rebuttal to what some perceive to be solutions to this problem.

Mr. Chairman, I would ask unanimous consent to include several articles at this point in the record.

Mr. PANETTA. Without objection, so ordered.

[The articles follow:]

Job Programs Aid Welfare Recipients

*Incomes Increase,
U.S. Costs Decline*

February 24, 1986

By Spencer Rich
Washington Post Staff Writer

Experimental work programs in San Diego, Baltimore and Arkansas are showing marked success in helping welfare mothers find jobs and reducing government welfare costs, a private research group reported yesterday.

According to the Manpower Demonstration Research Corp., persons in the experimental groups found more jobs, earned more money and cost the government less than did welfare mothers in a control group who did not take part.

In San Diego, for example, 61 percent of the group obtained regular jobs over 18 months, compared to 55.4 percent of the control group.

The experimental group averaged \$3,802 in earnings and \$3,409 in payments from the Aid to Families with Dependent Children program. For the control group, earnings averaged \$3,102 and welfare payments averaged \$3,697.

Similar results were reported in Arkansas and Baltimore.

Barbara Blum, president of the MDRC, a nonprofit social science research organization, said the study shows the success of several approaches—all including an intensive job search when a person first applies for welfare, then a period of "workfare," unpaid job experience.

The MDRC study was funded by the Ford Foundation and other foundations. Eventually projects in 11 states will be evaluated in the first comprehensive study of work experiments with welfare recipients. Its findings are expected to be important in any national overhaul of welfare policy.

President Reagan has directed a Cabinet group to study how welfare programs might be changed to emphasize work and reduce dependency. Reagan endorses workfare but many liberals say it is punitive and unproven.

Judith Gueron, MDRC project di-

rector, said the success of the first three experiments should not be viewed as an endorsement of the old-style workfare concept involving meaningless jobs and no marketable skills.

She said the unpaid job experience in the three programs studied usually lasted no more than 13 weeks and provided training in marketable office and service skills.

In the San Diego experiment, involving welfare mothers and fathers, new applicants for AFDC took part in an intensive three-week job search program. In the first week they were taught how to make phone calls, prepare resumes and conduct themselves in interviews. The subsequent weeks were spent at phone banks calling prospective employers.

Some of those unable to obtain jobs spent up to three months on workfare with no pay beyond their welfare benefits, in order to prepare them for working and to develop skills and attitudes.

In San Diego, MDRC found that the mothers did best when involved in both job search and unpaid work, but that those involved in job search only, and not channeled to workfare later, still did better than the control group.

The MDRC found that while welfare mothers showed definite gains, welfare fathers did not. Gueron said many fathers already had job skills and did reasonably well at finding jobs on their own.

In Arkansas, where the study covered only welfare mothers, members of the experimental group after nine months had a one-third higher employment rate than the control group, were earning \$78 more and receiving \$93 less in welfare payments.

In Baltimore, which also had a training program, 51 percent of the experimental group obtained jobs over 15 months compared to 44 percent of the control group, and the experimental group averaged \$1,935 in earnings compared to \$1,759 for the control group. However, average welfare payments were only \$6 less than the control group's.

The San Diego study covered 6,997 persons applying for welfare at various times in 1982 and '83; the control group comprised about one-third of them.

In the Arkansas program, 1,153 persons were studied.

The Baltimore study involved 2,823 mothers, including the control group.

William Raspberry

THE WASHINGTON POST

FEBRUARY 17, 1986

From Welfare to Work

The hitchhiker sitting on his duffel bag on the side of the road doesn't get even a glance from me, unless his crutches are in plain sight. If he is standing up with a hopeful look on his face, I'll think about giving him a lift. If he is walking while he's thumbing, it's a good bet I'll pick him up.

If you share my attitude toward hitchhikers, you'll have no trouble understanding H. R. Crawford's new legislative proposal.

The D.C. councilman has introduced a bill to require employable welfare recipients to accept employment, including make-work jobs, if necessary, or else lose their eligibility.

As with my hitchhiker, Crawford's tough-minded attitude would exempt the genuinely disabled; it would penalize those who wait idly for assistance, and it would reward those

who undertake serious effort in their own behalf.

It is, in short, a "workfare" measure of the sort that decent-minded people used to oppose. But the resistance is fading as more of us come to understand the damage that results from breaking the connection between income and exertion.

The recent Bill Moyers special and The Washington Post series on teenage mothers offered graphic illustrations of the problem. Young girls (and grownups, too, for that matter) see less reason to practice birth control if they know that their children will be provided for by the state.

The young men who father their babies (and who frequently are fiercely proud of having done so) do not have to consider supporting their "families"—they may even live off those fami-

lies—when you and I take care of them. And marriage, which under other circumstances would be a practical necessity, becomes a matter of self-dom-exercised choice.

The doleful (pun irresistible) results include unprecedented numbers of fatherless households—and virtually fatherless neighborhoods, undisciplined children with no sense of the connection between working and eating, the creation of an essentially permanent underclass and, our noble intentions notwithstanding, an increase in poverty.

Crawford and his bill's cosponsor, Betty Ann Kane, are no more motivated by a wish to punish welfare recipients than you are motivated by a wish to punish your children when you insist that the regularity of their allowance has some connection to the performance of their household chores.

The proposal, says Crawford, "is intended to give its participants increased self-sufficiency, a better potential for future improvement in the standard of living for their children and an opportunity to make choices and accept responsibility.... We can ill afford to waste another generation."

The exemptions embodied in the bill are the obvious ones: those with "serious" mental and physical handicaps; those who already work at least 80 hours per month at the minimum wage; those who are required to stay home to look after incapacitated family members and pregnant women within three months of their due date. (Such women would have to re-register within six months following delivery.)

"However," he says, "I believe that if a teen-ager drops out of school because of pregnancy or other nonmedical reason, she should be required to obtain gainful employment instead of relying on public assistance."

That's harsh stuff, but so is the reality his bill addresses.

It is by no means a perfect proposal, but it does manage to avoid one mistake we have made, which is to model our welfare rules too much on the model of middle-class people who are temporarily in hard straits. Such people need no incentive beyond their own unaccustomed dependency to get off the dole as quickly as possible.

But people can also become accustomed to dependency, and that problem is exacerbated when living on welfare makes more economic sense than taking a low-wage job that seems to be headed nowhere.

That walking hitchhiker may not be getting anywhere, either, but he's a lot more likely to get a lift than the guy who just sits there.

Richard P. Nathan

The Washington Post
April 10, 1986

A Welfare Revolution

Quietly, in the states.

For 20 years, welfare reform has been the Mount Everest of American domestic policy. Politicians have tried to climb it because it was there. The history of these ascents has been controversial. The proposals have been mostly comprehensive grand designs, made in Washington. One's position has been a test of one's ideology.

As a former participant, I now believe these earlier efforts to establish a negative income tax or guaranteed income system were the wrong approach to welfare reform. But in the past five years, there has been a subtle and little-noticed shift toward an alternative. A new consensus is emerging, emphasizing jobs and with state governments in the driver's seat.

In over two-thirds of the states, there is activity under the heading of "workfare," which I believe may turn out to be the real welfare reform. In this process, the meaning of the word "workfare" is subtly changing. In the 1970s, workfare was anathema to liberals who often damned it as "slavefare." The meaning of the term in this period was narrower than it is now. It referred to the single approach that people on welfare should "work off" their benefits. They should engage in public service jobs (often condemned as "make work") for an amount of time equal to some wage rate (such as the minimum wage) divided by their entitlement to welfare assistance.

Historically, this has been the approach to welfare for adult men without families under state and county assistance programs. In 1971, the federal law was amended to require that a woman in the then fast-growing Aid to Families with Dependent Children program register for work and accept a "suitable" job if one is available and if her youngest child is over 6 years of age.

This requirement does not say that states and counties have to set up jobs—only that if a suitable job is available (along with child care) an AFDC family head is required to accept it.

Ten years later, Ronald Reagan tried to move even further in this direction. He proposed that states be required to provide jobs to all AFDC family heads, again with children over 6 years of age and where child care is available. Although Reagan succeeded in 1981 in obtaining passage of fundamental welfare changes removing many working poor families from the AFDC rolls, he was not successful in winning enactment of universal and compulsory work as a condition of the receipt of AFDC benefits. Congress instead said that the states could *test* the approach along with other employment approaches to welfare reform.

The important new activity being undertaken by over two-thirds of the states involves tests under this new authority, although on a broadened basis that also includes job preparation and job search activities. The states are using a variety of approaches; they can be arrayed on a continuum according to the degree and character of the obligations imposed under these new state systems.

The welfare reform programs of Michael Dukakis, governor of Massachusetts, and George Deukmejian, governor of California, bear particularly close watching. The Massachusetts program called "ET Choices" is the most liberal test of employment approaches to welfare reform. (ET stands for employment and training.) The emphasis in Massachusetts is on job preparation and placement services, not on compulsory work experience. This approach can be contrasted with that of states such as Utah and West Virginia that have a strong tradition of mandatory community work experience for welfare family heads.

California's program stands out as the most ambitious new state welfare reform in the nation. In 1985, the state enacted legislation to provide "Greater Avenues to Independence"—abbreviated, of course, as GAIN—for all qualifying welfare family heads. Under this program, all counties in California are to set up new systems to provide a range of services—training, education, job counseling and job placement. Eligible welfare recipients are required to participate in one or another of these services. If the services are not successful in getting an eligible AFDC family head into the work force, they are followed by six months or one year of "relevant" community work experience in a presumably useful (not "make work") public service job. It is estimated that California will spend as much as \$300 million per year on this program, not counting the expected welfare savings, when GAIN is fully implemented. This is more than the federal government spent in 1985 for the nation as a whole on welfare employment and training programs under its work incentive (or WIN) program.

It is not yet clear what will happen under the California or other new state welfare reform programs in the turbulent environment of Gramm-Rudman-Hollings. This quiet state-focused revolution is, in effect, an attempt to change welfare as an institution and, in the process, to reduce the stigma of welfare both for recipients and

for the society. But such change does not come easily.

The Manpower Demonstration Research Corporation, based in New York City, has conducted eight state demonstration research projects on variations of the work and welfare approach in which more than 35,000 people have been assigned either to a new program or a comparison group. The results of these demonstrations so far, including one in San Diego that was a model for the California GAIN program, have been promising. However, the earnings and work increases achieved are not all that large, and furthermore there is variation among the states in these terms. One clear lesson from these state experiments is that it is bound to take time to deal with the accumulation of generations of the terrible problem of very high rates of single-parent families among the poor.

But there is new hope. The states are serving as testing grounds for welfare reform on a basis that involves a delicate balancing act by liberals and conservatives. Job-focused institutional changes to reduce the stigma of welfare are the essence of the new approach. It is too early to draw conclusions about its efficacy. But it certainly bears close watching: it *could* be the real welfare reform.

The writer, who was deputy undersecretary for health, education and welfare in the Nixon administration, now teaches at Princeton University.

Howell County Volunteers

People's Park
West Plains, Missouri 65775

PAT JONES
Coordinator

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February 1986 Newsletter

Greetings to all of you wonderful Volunteers.

During February we served around 60 plate lunches and gave bags of food to about 50 families. We gave out beds, a chair and divan, sheets, pillow cases, blankets, 12 gallons of milk and baby formula. We also worked with 1 burn-out. Remember, Howell County Volunteers' soup line is for anyone, who is hungry. We serve on a non-discrimination basis. For the soup line we need meats, breads, Kool-Aid, cake mixes, powdered sugar and 2-qt. pitchers with lids.

We had 4 women and 9 kids at Christos House during February. Christos House had a \$179 gas bill for the past 2 months. We are desperately in need of cash donations for Christos House. We are completely broke after paying for insurance, utility bills and the hot line. The hot line is a very important part of Christos House. Battered women call 24 hours a day, and we make a lot of phone calls for these women. Sometimes our bill is \$50 - \$60 per month. If any of you can help, please send your donations to Christos House, P.O. Box 822, West Plains, Mo. 65775. We want to thank the Lionettes for the 40 lbs. of soap they gave to Christos House. Thank you. We are still in need of a divan, a chair, an air conditioner (120), a vacuum cleaner, fans, toys, diapers, laundry detergents and dishwashing detergents. If you have any of these articles, they would certainly be appreciated.

Christos House board meeting is Tuesday, March 11th, at 1 o'clock. Board members are Nancy Wallis, chairman; Ralph Wood, secretary; Peggy Shaw, Imogene Knaust and Jerry Giesler.

Volunteers' meeting will be Wednesday, March 12th at 2 o'clock.

Board meeting will be Thursday, March 13th at 12 o'clock. This is a noon luncheon. We urge all Volunteers and board members to attend.

Remember, I only work Tuesdays, Wednesdays and Thursdays. If you need to get me for an emergency, call 256-9255 the Christos House hot line number. The Howell County Volunteers are open Mondays through Fridays from 8 - 4 o'clock. The soup line is open from 8 - 3:30 o'clock.

Our 1st work camp begins June 19th. They are from the United Methodist Church in Kansas City. Our 2nd work camp is from the United Methodist Church in St. Charles, Mo. They will be here from June 22nd through 28th. The 3rd work camp will be from the Arapaho United Methodist Church in Richmond, Texas. They will be here from July 27th through August 2nd and will be staying at the Church of the Brethren in Peace Valley. Our 4th work camp will be from the Eagle United Methodist Church, Rochester, Minn. They will be here Sept. 28th through Oct. 4th. This will be an adult group. We certainly appreciate these work camps. They do a lot of good. We are asking the area churches to feed these work camps. A lot of you have already called me and offered to fix lunches and dinners at night. Anyone, who has called, please call back and I can schedule you. This is certainly appreciated.

As most of you know, Leamon and I have been on a 2-week vacation working on the farm. Last Saturday we really had some excitement. Leamon came in about 12 o'clock and he was really in a hurry. He has had an accident with his chainsaw. We had a visit with the emergency room at OMC, where they took 25 stitches in Leamon's leg. So, that was the most excitement we had on our vacation. I'm very thankful to be able to tell you that he is fine and we would like to thank all Volunteers and neighbors, who called and asked if there was anything they could do. Thank you for your prayers.

As many of you know, my sister Grace isn't very well. Grace has been working with the Volunteers for years, ever since they started. We wish to take this time and send her our love and we want to thank all the churches and many

people, who have prayed for her the last year. We love you for your generosity and your prayers.

Howell County Volunteers have some beautiful quilts for sale. One of these beautiful quilts will make a great gift for a wedding or for Christmas or just a gift for your child's room. Your gift will help another child have food, which otherwise might not. We also have a lot of quilt tops and linings, but we need to have them put together. We are asking any of the churches, who can help us, to put some of these together. It would certainly be appreciated. We would like to thank the people, who donated tops. Due to all the work we have here, we do not have time or the facilities to tie quilts any longer. I would like to welcome the new Volunteers: Wilma Tyler, Grace Cole and Lola Harris. Welcome aboard, girls.

Howell County Volunteers are in need of a refrigerator, a freezer, a vacuum cleaner, electric heaters, an office desk, a typewriter, dining chairs, a kitchen step stool, an electric skillet, automatic dishwashing detergent, plastic bags of all sizes, sheets and bedding.

As garden time is getting closer, remember to plant an extra bean or pea, so you can divide some of your lovely vegetables with the Howell County Volunteers. We certainly appreciated all the tomatoes and other fresh vegetables we got last year. They were a blessing.

We would like to thank Creative Ministries for the garden seeds we received and we would like to report that they are all gone. A lot of people came in and got seeds, so there should be a lot of wonderful gardens in this area this summer.

A steering committee has been set up to get a hospitality house started in West Plains. This is needed very much. Many people come to this area and have no place to stay. We need a place to put these people. We also have burn-outs and people, who have been kicked out of their homes and for many reasons have no place to live. We work with this daily. If you are interested in this program, I'm sure that here is your chance to become involved.

We get a lot of cheese and commodity foods through Ozark Action after their distribution day, and we have had a lot of commodities to hand out this month. This is a big help to the Howell County Volunteers and a big help to the community. We average giving to 4 or 5 families per day. Thank you, Ozark Action.

We certainly received a wonderful Valentine from the United Methodist Church in Knoxville, Iowa and the Sunday school classes. This is a wonderful group. This is where Leamon and I visited in the fall. We were treated like kings and queens. We love all of the people there. They came here last year with a work camp and they have been helping Howell County Volunteers ever since. We received a beautiful check for \$300. We wish to thank you from the bottom of our hearts.

We received some money from the United Way. Thank you. It is a big help. United Way does an excellent job in this area.

We also like to thank KWPK, the quilt reporters and WKDY for all the help they give us through the months. They just helped us with a burn-out.

We would like to thank St. Paul's Lutheran Church in Willow Springs for all their help. They gave a lot of help at Christmas time to Christos House and to Howell County Volunteers. When they called and asked me what we needed most, I told them pinto beans. We got a lot of pinto beans and we certainly did appreciate them. I will be speaking to this group tonight. I'm open for speaking engagements and I also have a film I can show you, if any of your groups are interested. Remember, our speakers are free for the asking.

Thank you

Pat Jones
Pat Jones

Mr. PANETTA. Thank you, Mr. Emerson.
Mr. Olin.

**OPENING STATEMENT OF HON. JAMES R. OLIN, A
REPRESENTATIVE IN CONGRESS FROM THE STATE OF VIRGINIA**

Mr. OLIN. Thank you, Mr. Chairman. I just have a very brief comment.

I would like to commend the chairman for holding this hearing, and I would like to commend the chairman and the ranking minority member for their comments that are quite detailed. It has been very clear to me over the years I have been on this committee that the committee is in favor of having a Food Stamp Program that gets the job done, that is respected by the people of this country, that is administered in a way that we're proud of so that the right people get the aid, and so that the localities have a reasonable incentive, a nonpunitive incentive, but a reasonable incentive to do their job.

We look at the program periodically to see just how it is working, how it is interfacing with the private sector, but we have a program where the Federal Government is doing the extra thing that needs to be done but not necessarily the whole job. So I would be very much interested in the testimony of those who can talk about how the program is really working, how the incentives are working, how the program trying to help people get off of food stamps is working, so we can judge properly what we ought to be doing with the program for the coming year.

Thank you very much, Mr. Chairman.

Mr. PANETTA. Thank you, Mr. Olin.

Mr. Vento is our first witness. As he is well aware, as I am sure the other members are, we have two bells, a 15 minute vote for approval of the journal. But if it is OK with you, Bruce, we might as well proceed with your testimony.

**STATEMENT OF HON. BRUCE F. VENTO, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF MINNESOTA**

Mr. VENTO. Very good. I think we can conclude this in time so members can make the vote.

Mr. Chairman, let me first of all thank you and commend you for holding this hearing and for the members participation in it this morning. I intend to focus mostly on the TEFAP Program, the Temporary Emergency Food Assistance Program, although I know that your agenda includes other items this morning which I'm sure most of the witnesses here today will be able to adequately assess.

Mr. Chairman, I think we have serious problems with regards to getting the benefits to people in a variety of these programs, so I'm hopeful that you will be able to pursue a policy direction that will meet the needs as they have been identified.

It is appropriate, of course, to discuss TEFAP in the context of the fiscal 1987 Reagan administration budget proposal and its impact on Federal food assistance programs.

This program was set up to distribute cheese and other surplus commodities purchased from farmers by the Commodity Credit Corporation. The program is intended to reduce Government stor-

age costs for these commodities. TEFAP offers a unique opportunity to feed hungry people and at the same time save taxpayer money. The surplus cheese can be allocated to States for distribution to charitable organizations, food shelves, and community action agencies. For the most part, TEFAP has worked well in the past to prevent surplus food from going bad and going to waste.

But last year the Agriculture Department halted the distribution of surplus block cheese to needy families. Today, there are 600 million pounds of cheese sitting in warehouses around the country. For many States, including Minnesota, the cheese embargo has meant a 50 percent reduction in the cheese available for the poor at a time when demand has increased, particularly in rural areas. It is especially ironic, Mr. Chairman, that hard-pressed farm families—perhaps the same families who sold the Government the surplus cheese—are among the poor and unemployed who now use the TEFAP Program.

The natural question is why isn't the Department releasing the surplus cheese? As of January 1, 1986, in unobligated cheese alone, there were 600 million pounds. The surpluses continue to grow. Although the Department reports that there is no spoilage problem, Oklahoma, Texas, Arkansas, and other States have received moldy 40-pound blocks of cheese from the Federal Government cheese stocks.

Despite our efforts over the past 6 months, the Department seems to place more roadblocks in our way each time we tear down the old ones. As the Chairman noted, we feel like Sisyphus, the legendary king of Corinth, condemned to roll a 40-pound block of cheese to the top of the hill, only to have a 500-pound barrel of cheese roll down again on top of us. Every time we're near the top of the mountain, USDA rolls the cheese back to the overflowing Kansas caves. Mr. Chairman, if it's a question of momentum, let us convert this potential energy into kinetic energy in the right direction and deliver the cheese to those in need.

The Department's concern is the fear of commercial displacement. I have great difficulty believing that people able to afford to buy cheese would wait in long lines and suffer the inconvenience of picking up a parcel of processed cheese, not to mention battling the rigid screening process. It simply stands logic on its head to assume that widespread abuse would occur given the time and effort to obtain this cheese if one had the ability to pay for it.

Present estimates indicate that the TEFAP Program reaches less than one-half of all eligible households. Since the program was formalized in 1981, eligibility guidelines have been restricted. The cost of the cheese is very, very significant, Mr. Chairman. We store it for 2½ years and the average cost for storing this 600 million pounds of cheese would be near \$50 million. In fact, my calculations indicate \$45 million, Mr. Chairman, just to store the cheese.

In addition to this, the extra handling costs that are involved are also significant, especially when you consider it being produced, for instance, in the Midwest and having to be transported from Minnesota to Kansas, loaded on trucks, unloaded, carried into the storehouse facilities, then loaded back on trucks eventually to be distributed again or, worse yet, reprocessed with newer cheese so that it

will retard spoilage. So we have all of these overhead costs that are inherent.

Now, of course, I think the real problem here is that around the world we have hunger for a variety of reasons, but it's only in the United States that we have hungry people because the administration and Congress pursue a policy which results in warehousing cheese rather than making it available to those in need. I didn't understand that policy 6 months ago, and I don't understand it today.

John Bode, the Assistant Secretary for Food and Consumer Services, stated before the House Select Committee on Hunger this year "The American taxpayer ought to be proud of our efforts to help those in need." Mr. Chairman, the more that I investigate this program, the more I conclude that the American taxpayers would not be proud if they knew what was going on. Investigation by my office has shown that the cheese embargo is costing American taxpayers nearly \$50 million in excess storage costs alone. We're throwing money away. Not only is the Agriculture Department wasting this food, it's wasting scarce tax dollars to store food that should have been distributed to needy families in the first place.

Today I will send yet another letter to the Secretary of Agriculture, this one signed by over 60 of my colleagues, some from States who have the same interest that I do in terms of bulk processing facilities, others who do not. Mr. Chairman, we need action, and I hope that we'll get it.

Mr. Chairman, I would ask unanimous consent to include my entire statement and the correspondence I've had back and forth with the Department.

Mr. PANETTA. Without objection, that will be ordered.

[The prepared statement of Mr. Vento appears at the conclusion of the hearing.]

Mr. PANETTA. I know we have Mr. Samargia to testify, and I see Congressman Oberstar also present. What I would like to do is to go ahead and have this vote and try to get back within 5 minutes and continue the discussion on this issue.

Mr. VENTO. Thank you, Mr. Chairman.

Mr. PANETTA. The subcommittee will be adjourned for the vote.
[Recess taken.]

Mr. PANETTA. The Subcommittee on Domestic Marketing, Consumer Relations, and Nutrition is again in order. We were listening to the testimony of Congressman Vento with regard to the problem of TEFAP, related to the whole issue of reserves and what has been made available. It is an issue that we've been involved with in the subcommittee, trying to find out exactly what took place in Minnesota.

We have additional representatives on that issue. I know we have Congressman Oberstar from Minnesota, and I think Mr. Samargia is here from Minnesota as well. As long as we're on the issue, we might as well allow you to speak to it.

Congressman Oberstar, you may proceed.

STATEMENT OF HON. JAMES L. OBERSTAR, A REPRESENTATIVE
IN CONGRESS FROM THE STATE OF MINNESOTA

Mr. OBERSTAR. Thank you very much, Mr. Chairman. I greatly appreciate the opportunity to join in your hearing and want to thank you and the other members of the subcommittee for taking the time to hear the concerns of people from throughout the country, and especially of people in our State of Minnesota, on this very critical issue of feeding America's needy and hungry.

Our commissioner of jobs and training for the State of Minnesota, Mr. Joe Samargia, has a very complete and detailed statement with the facts that describe in stark detail the dimensions of this problem throughout the State of Minnesota. I would not presume to improve upon or even comment upon the statement because it speaks for itself in its eloquence and power represented by the facts.

Our people do have tears in Minnesota—the needy, the hungry, in the rural as well as in the urban areas, in the smaller sized communities across our State, and in the area that I represent, a long district, a large district that covers about a third of the State, of which Mr. Samargia himself, as he will explain in the statement, is a native. The heart of that district is the iron ore mining country, where we have extensive and persistent unemployment, where iron ore mining was 55 percent of the gross regional product. But in the last 4 years we've lost 60 percent of the jobs in mining.

Those who have lost their jobs have not only exhausted their unemployment benefits, but their Federal supplemental compensation and trade adjustment assistance benefits as well.

The people wonder how much longer they can hold out. All they want is to hold the family together. The Food Program is one means of holding the family together.

A few years ago when the problem developed to its worst point, I joined with several of our colleagues in going to Kansas City to look at the food storage center. Of course, USDA wouldn't let the television cameras in to take pictures, or the still photographers, to verify the conditions in that huge underground storage. They didn't want to be embarrassed, and I can understand that they didn't want to be. But as a result of the popular concern on the report that our delegation made on its return to Washington, the regulations were changed and the distribution began to flow again.

But now, that it seems our attention has been diverted to other national urgencies, the flow has been slowed down and stopped, and again we're hearing this excuse. The reason? The Government asserts that the distribution of cheese and butter will be a substitution for purchases in the retail outlets.

I want to tell you, Mr. Chairman, the people who are lining up for the free distribution of cheese and butter are not in the supermarkets buying that cheese. They don't have the wherewithal. If they aren't getting it through the Distribution Program, they will not be buying it in the supermarkets.

Just as 4 years ago, when the argument was made that we have seen a 1 percent, 2 percent decline in cheese purchases in the first 3 months of that year, so again this year. If there's a decline, it's because of the decline of the economy in the area, not because

people are taking free distribution of cheese instead of buying it. If they could, they would rather stand proudly in a supermarket line than to stand humbly in the free distribution line.

Heed the appeal that comes from people who are genuinely hurting. Help us to unsnarl the tangle, as you in your very effective way can do.

It is my great pleasure to present Mr. Samargia, an eloquent and forceful spokesman for the people of our State.

Mr. PANETTA. Mr. Samargia, you may proceed.

**STATEMENT OF JOE SAMARGIA, COMMISSIONER, MINNESOTA
DEPARTMENT OF JOBS AND TRAINING**

Mr. SAMARGIA. Mr. Chairman, my name is Joe Samargia. I am the commissioner of the Minnesota Department of Jobs and Training. I have a more detailed statement which I would like to submit for the record.

Mr. PANETTA. Without objection, it will be made part of the record. You can summarize it as you wish.

Mr. SAMARGIA. If I may, Mr. Chairman, first let me thank you for your leadership role in the last year in seeking enhanced nutrition programs in the farm bill. The battle to protect the vulnerable in our society will have to be fought again this year. Let me say, as a State administrator for programs such as these, for me it is really important to thank you for your hard work in this area.

I am here today to tell you that people in Minnesota are hungry. What I'm talking about is not the hungry and the down and out that you find in soup kitchens. I'm talking about the hungry like you and me. People, for the first time in their lives, have had to ask for a handout. When I say people are going hungry in Minnesota, I'm talking about the 886,000 visits made by Minnesotans to the food shelves in 1985. When I say to you that people are going hungry, I'm talking about the very farmers in our State who used to produce the food and now are driven off the farm by the farm crisis. When I say to you that hunger is a crisis in Minnesota, I'm talking about the very children and women who our surveys say are the primary users of this commodity surplus program.

It is sad in this country that so many people must go hungry, but the fact is that in Minnesota, in 1986, it's a fact. Meanwhile, in the face of this crisis, the Federal Government has cut back Minnesota's surplus cheese, from 12.9 million pounds in 1984, to 9.2 million pounds in 1985, to 6.2 million pounds in 1986. It's been cut in half in 2 years. To my mind, it is tragic when the Federal Government has stockpiles of food in warehouses and yet cuts our State appropriation.

I am here today to ask the commodity distribution to be restored to the 1984 levels. The reason I am here today is to tell you what kind of facts I listen to. I listen when people tell me that the number of Minnesotans going hungry and the used food shelf has increased 400 percent in the last 3 years. I listen when farmers tell me that 5,000 of their peers were driven off the farm in 1985, to go from food-producing lines to the lines of the hungry.

Another 10,000 Minnesota farmers are expected to be lost to foreclosure this year. I listen when they say to me that they don't have

a safety net, being self-employed and not being eligible for unemployment insurance benefits. I listen when people come to me from the far reaches of the State to remind me that economic boom in Minneapolis and St. Paul is not making it to their kitchen tables.

The unemployment rate in the seven-county region in northeast Minnesota is 14.3 percent. In Cass County, the unemployment rate is 17.4 percent. In Aitkin County it is 18.1 percent. Red Lake County, 24.1 percent, and the county with the highest unemployment rate in Minnesota is Clearwater County, at 28.3 percent.

My logic is simple. When I grew up in a community that worked in the mines in northern Minnesota, we were taught to work hard, to do our part, to help each other when times got tough. We also were taught that this philosophy is what made our country great. I never thought I would have to come to Washington and have to make an argument for the Federal Government to share surplus food to those who are less fortunate. I can give my arguments in any statistic and any formula, but the fact is that hunger is of crisis proportions in Minnesota.

In 1982, 183,000 visits were made to food shelves. In 1985, 886,000 visits were made to the same food shelves. It's an increase of 150,000 visits from 1984. And yet the Government has cut the surplus cheese program in Minnesota. It simply does not make any sense to pay to store food that could help thousands from keeping the pangs of hunger from their doors. When we get cheese, it goes to 666 distribution points across Minnesota. I have had the opportunity to go and see the distribution take place. It used to take place monthly; now it's once every 2 months. People line up at dawn and by 10 o'clock in the morning the surplus commodities are gone and people have to be turned away without any food at all, after they've been standing in line for hours. So I am asking you to restore the surplus commodity cheese because we need it.

The volunteer sector that has been helping us has really been stretched, but we really feel that we can continue with the distribution of these products. We did a campaign in Minnesota for the food shelves. We called it "Open your heart to the hungry and homeless." Contributors did not ask us for complex formulas and statistics. They just asked us if there was a need. In our campaign we reminded people that life is a roundtable; what you put on it comes back to you. Now is the time to restore to the tables of the poor what the administration has taken away.

Thank you.

[The prepared statement of Mr. Samargia appears at the conclusion of the hearing.]

Mr. PANETTA. Thank you very much for your testimony.

Let me ask, as I understand the argument of the administration, the reason for the cutbacks related to displacement. That was their primary concern. I guess my question to you would be, what would be your response to the study done by USDA with regards to displacement?

Mr. SAMARGIA. Well, from the information that we've been able to get in our department—these are nationwide statistics and we understand the domestic selling of cheese has gone up 8 percent. It hasn't gone down. That's the information we have received.

The use of foreign types of cheeses, like muenster and mozzarella and the like, has gone up 20 percent in sales, and that may have affected the domestic sales of cheese. But from what we've seen in the information we have received, there has been an increase of domestic sales.

Mr. PANETTA. What are you currently receiving in terms of commodities?

Mr. SAMARGIA. The different types or—

Mr. PANETTA. I guess overall. Let's use cheese as an example.

Mr. SAMARGIA. Well, we're getting about a million pounds a month right now. We were at 12 million pounds a year and we're down to 6 million pounds a year.

Mr. PANETTA. So you've been cut virtually in half?

Mr. SAMARGIA. Yes. Pardon me. It's 500,000 pounds a month.

Mr. PANETTA. And that's where you are at the present time?

Mr. SAMARGIA. Yes. Although we did get a call from the Chicago office as I was getting on the plane yesterday to fly out here, that USDA called and said, "Oh, we understand you want some cheese. Do you want cheddar or do you want the other type" and we said no, we would like the cheddar. But we don't know how much that's going to be.

Mr. VENTO. Mr. Chairman?

Mr. PANETTA. Maybe you ought to climb on the plane a few more times. [Laughter.]

Mr. VENTO. Mr. Chairman, the difference here is in terms of bulk versus processed cheese. The USDA made a decision to discontinue the distribution of bulk. There are about 12 States that have had the capacity to process this and to, in essence, take on the expense of cutting it into small enough blocks so that it could be properly distributed. That is a concern.

The problem, Mr. Chairman, is that this program lacks a certain amount of continuity. The fact is we know there's been a lively debate concerning the costs of distribution within the States with regards to these commodity programs put out as private sector initiatives, and very often the community service administration dollars or programs within our State have used it, plus, of course, the food shelf programs that are growing by leaps and bounds in my district and across the State.

The fact is they get cold storage facilities and all this on line, ready to serve this particular type of need, and, of course, we have had the excess commodities being stored at considerable expense by the National Government, and all of a sudden in January, in spite of the fact that we had had language and said we would get a fair hearing with regards to this issue, it's been terminated. It has been terminated now for 3, going on 4 months. The effect is that it's hard enough to manage these agencies and distribution centers when you have a continuity in terms of policy. But when you have this type of serious disruption with a single commodity—and I might add, a protein commodity—in terms of distribution, it causes some serious problems, largely dealing with, as was indicated here, individuals that may not be in the Food Stamp Program—in other words, falling between the cracks of the programs that serve those that have needs.

These are people who have been employed and are unemployed now, who may be trying to struggle to stay off of welfare or out of the other Food Stamp Programs and trying to utilize these food shelf programs with the criteria we put in place in terms of income test, the lines and all the other disincentives, and are being denied this. So I think we've got a real disruption here in the program, and for no good reason, at the national level. I don't think we ought to spend the \$50 million to store this for an average of 2½ years without optimistic suggestions that the costs are going to go down or the amount of supply is going to go down. I hope the policy on dairy works, too, but I think I would look a little askance at some of the estimates in terms of reduction. I think we're going to have this for a while, and I think it only makes common sense for the Department of Agriculture to begin releasing this.

And I want to point out, Mr. Chairman, that the correspondence that I have had, was signed by all Members of the Minnesota delegation, evenly split, five Republicans and five Democrats. So it isn't a partisan issue within the State. I think that all of us perceive this need and I am certain that that's the way this committee will approach the resolution of this issue.

Mr. PANETTA. Thank you very much.

Mr. Emerson.

Mr. EMERSON. Thank you, Mr. Chairman. Just a couple of points here.

First of all, the Federal Government, under the cheese program, reimburses the States 12.5 cents per pound for processing bulk cheese, and some States were able to get contracts to process for a lower amount and wound up making money. That's all right. I agree with you. We ought to be moving these surpluses.

But the law, under which we're operating, does require consideration of the displacement issue. I don't have any doubt in my mind that the Agriculture Department wants to get rid of its surpluses, dairy and otherwise, so I don't think you've got some miserly ideological consideration preventing the distribution of surplus commodity programs.

The problem is the law requires consideration of the displacement issue and I think this committee should perhaps inquire of the Agriculture Department on whether there's flexibility in the law that would permit the consideration of factors such as those which you have raised here this morning, emergency situations such as Mr. Oberstar said, that the people who need the cheese would not be buying it in the grocery stores because they don't have the money to buy it. Now, that is a situation perhaps regional in nature that I think we should inquire as to whether or not the law is flexible enough that perhaps they could respond on a regional basis.

I know sometimes we get into some difficulties because we're legislating by national standards and regional problems are not taken into account. I think one of the things we need to look at is whether or not there is enough flexibility in the law to permit them to consider your case regionally. When we look at the matter statistically, on a national basis, the argument that the Department would use under the law is that there is displacement. That is all

based on statistics and averages and the law may not be sensitive enough to take into account these regional considerations.

Mr. OBERSTAR. Would the gentleman yield?

Mr. EMERSON. Certainly.

Mr. OBERSTAR. I appreciate his reference to that point. I think it is a point well taken and I hope you can explore the matter of local, regional, or statewide distributional effects, because it certainly is the case in Minnesota and in my congressional district, where we have unemployment problems and people don't have the money to spend and they are not displacing retail sales by accepting the distributional cheese.

Mr. EMERSON. Thank you.

Mr. VENTO. Mr. Chairman, I think this displacement thing has been way overplayed. I think, unless it's a serious disruption in terms of displacement, that it ought to be discounted. I think we should be a lot more concerned about meeting the obvious needs in terms of hunger rather than this hangup in terms of displacement, which seems to have gripped the Department of Agriculture and it has been stamped into a fear of any type of displacement with regards to this.

It stands to reason that when cheese in our local area costs \$2.50 to \$3 a pound, that those that have that particular need, it's going to be one of the low things in terms of their purchases, in terms of what they're able to purchase. I'm not saying that there isn't absolutely, unequivocally, no displacement. Heaven knows, if you look far enough, you could probably find it. But I think the thing is we have to look at what the needs are, and when we have this type of increase in terms of food shelf participation, we ought to recognize that that, in itself, should certainly outweigh any type of issue with displacement.

I think they have to get that message from this committee. Right now they think that they're doing what they're supposed to do and I think it's causing some serious problems in our State and the other States that are under this mandate, and I hope to give it to them.

Mr. SAMARGIA. Mr. Chairman.

Mr. PANETTA. Mr. Samargia.

Mr. SAMARGIA. A couple of points.

The money that's paid to the States for processing the cheese, under the regulations that we're living under, that money, any money that may be left over, has to be returned to the same fund of money and be used for processing more cheese. It's not one that you take the money and put it into another fund. I checked that out last week when this question came up.

Mr. EMERSON. But it would enable you to process more cheese for distribution.

Mr. SAMARGIA. Which we did get. Some States weren't using all the cheese so we got more from them and we had the money to process it.

The act requires a means test for eligibility which is an adequate method to ensure that only individuals who are truly needy receive the cheese. In Minnesota, what's happening right now, is that we're not even able to supply 60 percent of the people who are coming out to get it. So I think this whole question of displacement

comes down to if you truly have needy people and you know they don't have money, that that question of displacement should be waived.

One other point that's in my full statement is that one regional director who wanted to be—he didn't want his name known, but he happens to deal with Minnesota—Oh, pardon me. He does not deal with Minnesota. Pardon me. [Laughter.]

He believes that actually it increases cheese sales. A lot of people in some of the discussions that have gone on with this, there are several things the USDA has done. They have put out a booklet on 101 ways to use cheese; they have done it in bilingual recipes which makes it easier for other people to understand the recipes and get into the fact that cheese is a good product. And when they do get out of the situation that they're in, they probably do go out and buy cheese. So those are all kinds of arguments either way.

Mr. PANETTA. I thank you for that point.

I would just make a comment. The displacement issue was, in fact, raised by a number of industries, particularly the margarine industry, as well as others. So it is not something that has not been raised. It has been raised as a concern. And when we were first developing the program we developed it with a recognition that that possibly could take place. I don't deny that what you have here may be an overemphasis on just exactly how that's being worked and that's something we may have to look at pretty closely.

Mr. EMERSON. Mr. Chairman, could I just interject one point before we move on?

Mr. PANETTA. Surely.

Mr. EMERSON. In our language in the bill last year, we required the Department to report to us on this issue of displacement, so we've got an open door there to make this inquiry. I do want to pursue whether there's enough flexibility to perhaps address this on a regional basis.

Mr. PANETTA. Mr. Staggers.

Mr. STAGGERS. Thank you, Mr. Chairman.

As the sole West Virginian on the Agriculture Committee I have been very concerned about this problem for the last 4 years. I have sometimes felt like a voice crying in the wilderness about there being hungry people, but the chairman has taken such an active part that I have been bolstered by that. And the two gentlemen from Minnesota have bolstered my feelings, also. I realize that there are people out there who care and that we all are trying to do something about it.

That's the message I take back to West Virginia, where there is unemployment, where people want to find jobs but just can't find jobs. I see that the committee is moving toward finding a solution and I'm sure, with the chairman's leadership, we will continue to do that.

One thing that I found in my experience in West Virginia—and it was something that was touched upon in the testimony here today that maybe you can respond to, Mr. Commissioner—when you say there's not enough to go around, with people standing in line and at 10 o'clock the cheese is already gone, that you can't supply 60 percent of the people. If the scenario was that we could, in fact, address this problem, that we could get to the truly needy

and could go to the senior housing and make sure the people that need the food get it, is there a problem of funding, of getting this surplus food to these people, or what is the extent of the problem? Is it that we're not getting enough, or is there a delivery problem also?

Mr. SAMARGIA. Mr. Staggers, I think the problem that we have is—we have enough distribution sites; we've got 666 across the State. We've got between 5,500 and 6,000 volunteers that help every month. So the network is there. We need more cheese so we can do it on a monthly basis rather than every 2 months, and also, any time that you're dealing with those kind of volumes, you are going to have to have some administrative money to deal with it.

I think we had \$600,000-plus last year and we had a 4.3 reduction this year. But whatever amount of cheese you get, you're going to have to have a certain amount of money to handle the distribution through the administrative part of it; trucking and shipping and all that stuff.

Mr. STAGGERS. That's all the questions I have, Mr. Chairman.

Mr. PANETTA. Mr. Olin.

Mr. OLIN. Thank you, Mr. Chairman.

I would like to follow up on that with one more question, Mr. Samargia. I think you said in your testimony that the State of Minnesota does cover some of the cost of distribution of the surplus cheese; am I correct on that, and if so, could you expand on that a little bit further, as to how much you cover within the State?

Mr. SAMARGIA. I don't have an exact amount of money, but most of this commodity distribution goes through the local CAP agencies, and the CAP agencies, of course, are supported by the Federal Government, but not enough. The State of Minnesota budgets the CAP agencies \$2.5 million a year in extra money, and a lot of that is used in the distribution of commodities, and some of it's used for the operation of food shelves and soup kitchens.

Mr. OLIN. The Department is talking about eliminating the money they have been paying for the distribution of commodities that they donate to the States, with the States picking that up. Can you give me some idea of how Minnesota would cope with that if that went into effect?

Mr. SAMARGIA. Well, I think we would be in pretty tough shape on that. Our State has just gone through a tough legislative battle and budget cuts, and it happened that my department got a \$3.7 million cut in its budget, of which \$300,000 of that goes to the CAP agencies for these type of programs. So it wouldn't help at all to cut that out.

Mr. OBERSTAR. Would the gentleman yield?

Mr. OLIN. Certainly.

Mr. OBERSTAR. If I may add on to that, in our Public Law 480 Program the Federal Government pays the cost of transportation of commodities to those needy countries to whom we distribute our surplus food overseas. What an irony, to cut on the distributional side for commodities distributed at home. How unfair and how unreasonable.

Mr. OLIN. I appreciate the gentleman's comment. I think it's obvious, however, that we have got a problem in the Federal Government of raising the money to finance these programs. I think that

is the fundamental problem. We have been unwilling to raise the money nationally as a total body to pay for this. The Department is responding to that situation. I'm not sure if there really is anything else to it.

We in the Congress have to figure out on this program and others what our national priorities really are, and when we arrive at that, obviously those priorities need to be funded so that the priority can be carried out. I think the observation you make, Mr. Oberstar, is certainly valid.

Mr. VENTO. I would just comment that the point of what we're saying here is that if we didn't have to pay for the storage and transportation costs—as an example, back and forth to Kansas City—on the total amount we have there, which is an average 2½ years of storage, you're talking about \$50 million. Nobody is asking for \$50 million.

Furthermore, of course, is the fact that we have asked as a matter of national policy that there be certain income and a certain type of screening process that follow and flow with this. So to turn that all over to the States without any assistance, it seems to me to be a little unfair. So I hope we will consider the requirements and the actual savings we might make by eliminating some of these storage costs.

Mr. OLIN. I think the committee is going to be dealing with this very certainly.

Thank you very much, Mr. Chairman.

Mr. PANETTA. Thank you, and I thank all three of you.

Let me make clear that this is not just a Minnesota problem. I appreciate the work that the Minnesota delegation has done on this issue because they have drawn a lot of attention to it. But the same complaints are coming in from other States, including my own State, with regard to the distribution of these foods and the problem of continuity. That is something we're going to have to look at.

Mr. OBERSTAR. Mr. Chairman, when you review the displacement question and pose those questions to the Department, think also that softwood lumber sales are down in our region and the Government isn't distributing dimensional lumber. TV and other electronic appliance sales are down and there is no free distribution of electronics. About half the doctors in one of the communities in my district moved out. Yet nobody is distributing free medical service for the Federal Government in our area.

Look at all those other factors, where an economy is down because of economic distress, and consider those along with the displacement question.

Mr. PANETTA. Thank you very much.

The next witness is a member of the full committee, the Honorable Sid Morrison from Washington.

I understand that Nick Rahall was here from West Virginia and was prepared to testify but had to catch a plane for a commitment that he had back in his home State. So, without objection, I would like to introduce Mr. Rahall's statement into the record. I believe he is addressing somewhat the same issue that Mr. Morrison is.

[The prepared statement of Mr. Rahall appears at the conclusion of the hearing.]

Mr. PANETTA. Mr. Morrison, you may proceed.

**STATEMENT OF HON. SID MORRISON, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF WASHINGTON**

Mr. MORRISON. Thank you, Mr. Chairman. I appreciate this opportunity to submit my views on an issue in the area of education and retraining that is of particular importance to people in my district. I have learned in the last year or so Mr. Rahall and others have similar interests and I am pleased to have my testimony appear in conjunction with his.

I refer to the situation of single parents receiving food assistance while attending school, in their effort to break out of the public assistance/low income cycle they are caught in.

Mr. Chairman, your work and that of Mr. Emerson and the work of the subcommittee members on this issue is greatly appreciated. In particular, I refer to your own recent efforts taken with the Committee on Ways and Means Subcommittee on Public Assistance and Unemployment Compensation to address the broader problem. Today I just wish to share with you my support for addressing this problem faced by that group comprising fewer than 1 percent of all food stamp recipients—those in school.

There are a lot of contradictions that play here. While most folks agree that college students should not receive food stamps, and that the Food Stamp Program is an important safety net, what about those folks who, for whatever reason, are supporting a family while trying to break out of the poverty cycle by gaining the education or skill necessary to land a job? Where do they fit in?

This is a setting in which old rules and assumptions just don't apply. Nowadays, not all college students are straight out of high school with no bigger worry than which sorority or fraternity to join. Instead, a growing segment of the college population is comprised of adults faced with responsibilities like families and the realization that, without additional education or retraining, they will not be able to support themselves or their families in today's world.

The report issued with the Higher Education Act of 1985 stated that our traditional college student is now in the minority in our community colleges. This is why this education bill added a new title to address the special needs of this newly emerging student body. These single parents that I'm concerned about are an important part of this group.

I was made aware of the special problems of these students at the end of 1984, when I heard from single parents attending a community college in my district. These folks, some of whom were honor students, were being frustrated in their efforts to get out of the public assistance cycle by the conflicting and confusing regulations and bureaucratic redtape they had to deal with. From the meetings I had with these ambitious students, I developed a picture that for every step forward they took, they had to take two steps back.

When I looked into the problems they described, I soon learned that the additional hurdles being encountered on this already difficult path were not accidental. Instead, the different programs they qualified for were designed not to mesh together. I am sure that

I'm not alone among my colleagues in questioning the value of spending Federal funds to maintain programs that are not designed to work with other Federal programs, nor designed to really succeed.

To name just one example, funds spent for tuition and mandatory fees are not considered income for the purposes of food stamp allotments, but funds spent on the required textbooks for that class are. I question our investing in a class if we are not willing to increase the odds of that person passing it by including the cost of the required books.

And there are other inconsistencies in the application of these programs. For this reason, I was pleased when the Food Security Act of 1985 included some positive changes in the law. More important, though, this bill's consideration on the floor last fall sparked debate on proposals for other changes in food stamp law which led to your assurances, Mr. Chairman, that this subcommittee would take up this issue. I appreciate that very much.

It is only through thorough consideration of the various approaches, such as consolidating assistance programs, or adjusting the eligibility requirements to accommodate real needs, that answers to the public assistance puzzle can be found. Additionally, I am encouraged by the President's recognition of a need for a re-vamping of all our safety net programs.

Mr. Chairman, I am confident to leave this issue to the expertise of my colleagues who serve on this subcommittee. I simply want to take this opportunity to underscore my support for progress in the area of education and retaining as a lasting solution to public assistance. And I can think of no better place to start than by helping those folks who are not content to sit at home and collect Government checks but, instead, are actively trying to make a new life for themselves and their families by getting an education.

Again, I appreciate the opportunity to submit these views.

Mr. PANETTA. Thank you very much, Sid.

You raised an extremely interesting issue because I think those of us who dealt with this issue about 10 years ago, this issue was pounded over our heads because of the problem of students who were receiving food stamps. I think that's why at that time the committee acted to take steps to basically reduce the benefits that were flowing in that direction.

And yet, it is one of these double-edged swords, a kind of catch-22 situation, where you really do want to encourage people to get an education, to become productive members of society, and if we penalize those that are trying to do it, then we're really hurting our ultimate goal. I guess, if it can be fashioned in a careful way, I think it makes a lot of sense to try to address this issue.

We did this in other areas. There was concern about outreach, for example, a common problem raised about 8 or 10 years ago, as well, over some very tough debates over the Food Stamp Program, about whether we ought to have any outreach at all. And yet, what we found recently is that some outreach, with some limitations, some controls, makes some sense. People need to know so that they can, in fact, make themselves aware of whether or not they want to receive these benefits or not. So I think the same thing applies here, and perhaps in a different kind of atmosphere we can ap-

proach this issue and try to develop some careful steps to perhaps deal with the problem that you raise. I appreciate your doing it, though, because I do think it needs attention.

Mr. MORRISON. Thank you.

Mr. PANETTA. Mr. Emerson.

Mr. EMERSON. Thank you, Mr. Chairman.

Sid, I think you made an excellent statement here. You address a very narrow, a very limited segment of the student population, and your ultimate goal and objective here is a very worthy one. I think the committee ought to take a very serious look at what you're suggesting. I think you made a very valuable contribution here.

Mr. MORRISON. I thank you for your comments, and also the chairman. I voted for my share of tightening eligibility requirements in the time I have been here, but I found that we really are undermining some opportunities that I think are pretty obvious to us now. So this is one area that I think I could talk to any medium in my district and sell this particular point—to have one Government program undercut another one and, as a result, someone has to drop out of school who really wanted to get the training to fit into today's job market, that that's not in the best interest of any of us.

Mr. PANETTA. Mr. Olin.

Mr. OLIN. Mr. Chairman, thank you.

I certainly appreciate the testimony of Mr. Morrison and his recognition of the difficulty of dealing with this. I am sure you see that the visibility of giving food stamps to college students is high, and that misinterpretation on the part of the public, of course, is also easily possible.

It seems to me, Mr. Chairman, as we deal with this, that we want to be sure we look at all the alternatives that may be available to cope with the problem. Certainly we shouldn't have negative incentives of going to school and learning skills and getting a job.

We may not find it is possible to accomplish that within the Food Stamp Program, so I suggest we're going to want to look at other avenues to get the consistency that the gentleman is talking about. It may not be—the broadening of granting of food stamps may not be the way to do it.

Thank you, Mr. Chairman.

Mr. MORRISON. If I might respond to the gentleman, I couldn't agree more. I think it's going to take a look at the combination of Federal programs. The frustrating thing here is they come in conflict with each other and, almost by design, they don't mesh together. I think that's the arena in which we should be looking at this, not just attempting to resolve it by making food stamps more available, but how do they interplay with other Federal programs, where one gives and the other takes away.

Mr. OLIN. I think you're right. I am very sensitive to the image the Food Stamp Program has. I don't find anybody in my district, except food stamp recipients, who likes the program. I think we have to be very careful not to do things with the program that further deteriorates the morale. We need to build morale for the program by having people feel that it's carefully administered, it's

tight, and only people that are literally hungry are getting the benefits.

In the college area, it's very hard to see how you could do that. So we may want to look at other ways of getting at this problem that the gentleman legitimately raises.

Thank you, Mr. Chairman.

Mr. PANETTA. Thank you, Mr. Olin.

Thank you, Mr. Morrison. We appreciate your testimony.

Mr. MORRISON. Thank you.

Mr. PANETTA. Our next witness is the Resident Commissioner of the Commonwealth of Puerto Rico, the Honorable Jaime B. Fuster. We welcome you to the subcommittee. It's been a pleasure to work with you over the last few years on an issue that is extremely important to Puerto Rico, and thank you for your cooperation and the guidance that you provided the subcommittee.

STATEMENT OF HON. JAIME B. FUSTER, RESIDENT COMMISSIONER OF THE COMMONWEALTH OF PUERTO RICO

Mr. FUSTER. Thank you, Mr. Chairman.

Mr. Chairman and distinguished members of the subcommittee, I appear before you on behalf of the 3.5 million American citizens who live in Puerto Rico, whom I represent in the U.S. Congress, to request your support for the budgetary recommendations approved last February by the House Interior and Insular Affairs Committee regarding nutrition assistance to Puerto Rico. To put such recommendations in perspective, let me briefly review the history of Puerto Rico's Nutritional Assistance Program.

In fiscal year 1982 Puerto Rico was taken out of the National Food Stamp Program and was granted a special nutritional assistance block grant at a funding level 25 percent below what the island was receiving then. At that time, Puerto Rico had to remove approximately 100,000 needy families from the island's assistance rolls in order to adjust to the substantial reduction in funding.

Puerto Rico also had to decrease the amount of aid provided to the very needy that remained in the assistance rolls. Thus, while an indigent family of four in the mainland can get maximum monthly benefits of \$264 and qualify for assistance, even with an income as high as \$13,260 a year, an island family of four only gets an average of \$165 a year and it qualifies for no aid if its income exceeds \$8,000 a year.

For 5 fiscal years after its establishment, from 1982 to 1986, the Puerto Rican Nutrition Assistance Program was not granted any increase for inflation, despite the fact that food costs in Puerto Rico are higher than those in the mainland, and despite the fact that such higher food costs grew annually all these years at a rate that was also higher than that of the mainland. As if the substantial reduction in funds ordered in 1981 had not been enough, the Nutritional Assistance Program legislation for Puerto Rico never provided for cost-of-living adjustments, even though such COLAs did exist for the national Food Stamp Program.

Puerto Rico, indeed, had been treated to a double whammy, and over 5 years the accumulated increase in food costs have substantially diminished the buying power of an already substantially re-

duced Nutrition Assistance Program. If the reduced block grant remains frozen, it will provide 41 percent less for food purchases in fiscal 1987 than what the Puerto Rican needy would have obtained if Puerto Rican participation in the national Food Stamp Program had not been replaced in 1982 with the capped and unadjusted block grant.

This gross inequity was made even more unfair just last December when Congress at the last hour enacted Public Law 99-190, imposing a six-tenths of 1-percent cut on the NAP block grant, reducing it to \$820 million. This has led to an immediate readjustment by which those families receiving an average of \$165 a month for their food needs will receive \$6.34 less the first month the readjustment began to be implemented. Needless to say, to families living in extreme penury, such reductions are major hurdles that prevent an adequate nutrition and a standard of living that can assure them some dignity.

In assessing the fairness of our claim, it is necessary to keep in mind that citizens in Puerto Rico still remain the poorest group within the American population. Per capita personal income is far below mainland levels, amounting to one-third of the level for the United States generally, and to half the level of the poorest of the 50 States. Mean family income for all the families in Puerto Rico is only slightly above the U.S. poverty level. Unemployment in Puerto Rico has remained over 15 percent since 1975 and has been over 20 percent since 1982, recently going up as high as 24 percent.

Approximately half of the families participating in the program in 1984 had a total income of \$2,000 or less. In spite of the very dire circumstances of the island, Puerto Rico does not participate at all in several major Federal assistance programs—such as general revenue sharing and the supplemental security income—and participates only to a limited extent in various important Federal programs for the needy such as AFDC, Medicaid, Medicare, and others. These exclusions are particularly unfortunate because those in poverty in the island disproportionately comprise the elderly, children under 18, and single parent, female-headed families.

The bottom line, Mr. Chairman, is that the poor Americans who live in Puerto Rico not only get food assistance that is grossly inadequate to meet their nutritional needs, but that they also suffer discrimination that other poor Americans in the mainland do not experience. In these circumstances, it would really be inexcusable to increase their burden by keeping the Puerto Rico Nutritional Assistance Program frozen.

As you know, the President has requested the elimination of the COLA increases for NAP. I ask your subcommittee to support a restoration of the 1986 funding level to what it was in 1985 and urge the appropriation of the funding levels called for and enacted into law with the passage of the Food Security Act of 1985 which you were instrumental in passing. The act, as you know, provides for a modest 3-percent increase in the block grant to partially offset the reductions in buying power suffered by NAP due to inflation.

On behalf of the poorest of the poor in the Nation, I request your support for these petitions that already have the backing of the House Interior and Insular Affairs Committee.

Thank you.

[The prepared statement of Mr. Fuster appears at the conclusion of the hearing.]

Mr. PANETTA. Thank you very much, Mr. Fuster.

In testimony last week before the Senate Agriculture Committee, Mr. Bode testified that the Commonwealth doesn't need any additional funding for the nutrition block grant for Puerto Rico above the President's request because the funds have been diverted from the grant for special agricultural projects, soon to be terminated.

I guess what I'm wondering is, is it not true that the Gramm-Latta cuts which created the block grant gave the Commonwealth the authority to use that block grant to fund these projects and to improve agriculture in Puerto Rico?

Mr. FUSTER. Yes. That authorization was given and, in fact, some special projects were begun in 1983. But at this stage, for fiscal 1985, only a small portion of the funds were used for special projects. And for fiscal 1986, only \$9 million is budgeted for such special projects.

The Government of Puerto Rico made a decision last year to plow back into the Nutrition Assistance Program all the funds that originally were destined for special projects, and the only one of those special projects that is still going on is an allocation program that has been requested by the U.S. Department of Agriculture, which the Department of Agriculture itself has asked be kept in operation.

In any case, as I was suggesting, what we are talking about is \$9 million, which is, of course, a lot less than what was approved by law in 1985 as a COLA for this program. First, it is a lot less than what this committee and the House approved in terms of a cost of living adjustment for Puerto Rico. That was \$37 million. So \$37 million was deemed to be what was needed to make a fair adjustment for inflation. This is a lot more than the \$9 million that we are using for special projects. And the amount that was finally enacted into law, after the House and Senate conference, \$27 million for next year, is still a lot more than the \$9 million we are talking about.

In fact, if we use the \$9 million in special projects and plow them back into the assistance program, it would not come close to what the effect would be if we had the amount that has been put in the new law for inflation adjustments.

I also want to say that it is unfortunate that Agriculture now has this position about special projects, because the idea of special projects was to develop, in coordination with the Agriculture Department, projects aimed at trying to improve agriculture in Puerto Rico, to improve food production and food distribution, and to make sure that nutritional standards would improve and provide some degree of self-sufficiency. So if we use the money just for the food checks, then we lose some of the ground that we might have gained in terms of improving self-sufficiency and agricultural production in Puerto Rico.

Mr. PANETTA. That was the point I was going to make. We always find the Department kind of meeting itself coming around the corner. But the fact is that they, in fact, encouraged you to de-

velop these projects and supported these projects—isn't that correct?

Mr. FUSTER. That is right.

Mr. PANETTA. So now they're using the projects—

Mr. FUSTER. But they approved them.

Mr. PANETTA. They approved them, right. Now they're using the projects as a way to cut you back in terms of the rest of the block grants.

Mr. FUSTER. Right. And the money that is there is not nearly enough in comparison to the minimal COLA adjustment that was enacted into law.

Mr. PANETTA. Thank you very much.

Mr. FUSTER. Let me also say, Mr. Chairman, that the Government of Puerto Rico is currently conducting a study to see how the food assistance money can be combined in some economic development projects so that people that are unemployed and receiving this money will be given the option of obtaining a job at a salary that is higher, of course, than the food assistance that they are receiving, so that they will be employed. We are thinking about marginal agricultural and industrial projects which could be established in the island with some incentives, such as partial salary incentives, which would come out of this program.

This is being examined right now. And I would like to mention that, of course, it is being studied and financed by the Government of Puerto Rico out of its own funds and not using program funds. Eventually, we hope to be able to move in a decisive way away from just having people unemployed and trying to deal with unemployment diminishing, therefore, the dependency on this kind of money.

Mr. PANETTA. I would be very interested in seeing what that design looks like when it goes into place, because it does sound like something that would be very interesting to see how it works, particularly in the situation of Puerto Rico. Thank you very much.

Mr. Emerson.

Mr. EMERSON. Thank you, Mr. Chairman.

Mr. Fuster, it sounds, based on what you have just said, your concluding remarks there, that you've got a ready-made situation in terms of your interest in economic development to tie the employment and training incentives under the new farm bill into economic development. There may be the opportunity to mesh two programs, which is what I think the intent of the new law is. That would be very desirable.

Now, I understand that the secretary of social services in Puerto Rico opposes a proposal to require employment programs in connection with the Food Assistance Program. Is that correct? Is it a specific proposal that she opposes, or the concept of employment and training programs?

Mr. FUSTER. No, not the concept. The Secretary was asked in Puerto Rico whether she supports workfare as that has been developed in some U.S. jurisdictions. She said: "We're working on our own project and that is not exactly workfare. We don't want people to be working in just any job that we can artificially create but, rather, in programs that will help create an economic infrastructure." It is not just having them pick up leaves in the parks and

stuff like that. That's what she meant by saying she was opposed to some of the traditional concepts of workfare.

But, on the other hand, it is precisely her department that has engaged a firm of very competent people in Puerto Rico to try to come up with an alternative program in which the funds would be meshed into stable agricultural and industrial promotion.

Mr. EMERSON. That's a very interesting idea. I hope you will share your information with us as it becomes available.

Mr. FUSTER. Sure, we certainly will.

Mr. EMERSON. Thank you.

Mr. FUSTER. The problem we have, Mr. Emerson, is that in the meantime, however, we do have this huge population of unemployed, very needy people, who need nutrition assistance. Frankly, what they are getting now is less than \$165 a month for a family of four. It is really very inadequate by any standards.

Mr. EMERSON. Does the Government of Puerto Rico provide any funds in connection with the Food Stamp Program, either for the administration or supplemental benefits to what the Federal Government provides?

Mr. FUSTER. We provide some of the funds for administration of the program, yes.

Mr. EMERSON. Do you have any idea what that dollar amount is?

Mr. FUSTER. No, but I could get you that information.

Mr. EMERSON. Thank you very much.

Mr. FUSTER. You're welcome.

Mr. PANETTA. Mr. Olin.

Mr. OLIN. Thank you, Mr. Chairman.

I would just like to compliment Mr. Fuster on his testimony and indicate that I, for one, have been very supportive, as the chairman has indicated, of the idea that you ought to have the flexibility on some of these funds, which you do have by law, to improve the agriculture of Puerto Rico, which obviously is going to end up with better feeding and less supplemental cost to the Federal Government or the local government. I think it's excellent.

Your attitude toward developing a practical work program that is consistent with the availability of real jobs will result in some permanent benefit. I think that's highly commendable. I would support enough flexibility in the relationship with Puerto Rico to enable you to continue to use your own ingenuity to improve the island.

I thank you very much for your testimony.

Mr. FUSTER. Thank you, Mr. Olin.

Mr. PANETTA. Thank you very much, Mr. Fuster.

Mr. FUSTER. Thank you, Mr. Chairman.

Mr. PANETTA. Our next witness is the Honorable John Bode, Assistant Secretary for Food and Consumer Services, and Mr. Robert Leard, Administrator of the Food and Nutrition Service, USDA.

It is my understanding that, Mr. Leard, you will be appearing on behalf of Mr. Bode. I think Mr. Bode was trying to make connections with me to indicate that he had prior commitments. Obviously, I would prefer to have Mr. Bode, but I will always take the next person in line.

Mr. Leard, you may proceed with your testimony.

STATEMENT OF ROBERT E. LEARD, ADMINISTRATOR, FOOD AND NUTRITION SERVICE, U.S. DEPARTMENT OF AGRICULTURE, ACCOMPANIED BY CHRIS MARTIN, ACTING DEPUTY ADMINISTRATOR, FAMILY NUTRITION PROGRAMS, AND GEORGE BRALEY, DEPUTY ADMINISTRATOR, SPECIAL NUTRITION PROGRAMS

Mr. LEARD. Mr. Chairman, Mr. Bode sends the committee his sincere regrets that he is unable to be here today.

I appreciate the opportunity to present the administration's budget proposals today for fiscal year 1987. We would be pleased to work closely with members of the subcommittee in the days ahead as we press forward to meet the challenge of providing assistance through Federal feeding programs.

I am accompanied today on my left by Mr. Chris Martin, our Acting Deputy Administrator for the Food Stamp Program, Family Nutrition, and by Mr. George Braley, on my right, who is our Deputy Administrator for Special Nutrition Programs, which includes commodities.

I believe the magnitude of our Federal food assistance effort is dramatized by our fiscal year 1985 record. During that year, about \$20 billion in food assistance was provided. Under the Food Stamp Program, our largest nutrition effort, approximately 20 million people a month received benefits valued at over \$10 billion. During the course of the year, approximately 35 million Americans were served by the program.

The program is also responsive to changing economic conditions. It grew to serve 22 million persons in March 1983, but as the economy has improved, participation has declined to 19.5 million in November 1985. Also, the Food Stamp Program is indexed to the cost of food, so the real purchasing power of food stamps is maintained over time.

During fiscal year 1985, over 900 million pounds of commodities worth around \$1 billion were distributed to needy persons. In addition, the Commodity Supplemental Food Program recorded an average 1985 monthly participation level of over 158,000 persons at an annual cost of \$46.7 million in 28 sites, in 12 States and the District of Columbia, including three elderly pilot projects.

Turning to our 1987 budget proposals in the Food Stamp Program, we propose an amendment to the Food Stamp Act to eliminate from consideration as shelter expenses for purposes of determining the excess shelter expense deduction any payments made under the Low Income Home Energy Assistance Act. Under this proposal, such expenses would not be deductible, whether the LIHEAA payment was made in cash directly to the household or paid to a third party, such as an energy supplier. This would restore consistency to the treatment of expenses met under the act. This proposal does not change current policy. Savings in fiscal year 1987 would be \$68 million.

The administration proposes to make three changes in the work requirements contained in Public Law 99-198. First, applicants subject to work registration would be required to meet job search requirements. This proposal reflects the commonly accepted belief that employable people requesting aid should help to reduce the need for that aid by working.

Second, the proposal would enhance the employment and training programs by establishing uniform nationwide performance standards. It would require that at least 25 percent of individuals be subject, by statute, to the work requirements for each month of fiscal year 1987, 50 percent during each month of fiscal year 1988, and 75 percent monthly beginning October 1, 1988.

We believe this proposal would encourage all State agencies to make equal efforts to bring about the success of the new employment and training program, and it would escalate slowly to a reasonable proportion of the target population.

Third, the proposal would limit the 100 percent Federal funding of State agencies' employment and training programs to \$30 million in fiscal year 1987. Any additional costs would be funded at 50 percent. This entire work requirements proposal would save \$66 million in fiscal year 1987.

We propose to amend the Food Stamp Act to prevent the May 1, 1986, increase to 20 percent in the earned income deduction required by Public Law 99-198, thus retaining the current 18 percent earned income deduction. Current data suggests that average work expenses of food stamp households are about 15 percent of earned income. A deduction set at 18 percent is therefore adequate to cover the average work expense of households participating in the Food Stamp Program. This proposal would save \$57 million in 1987.

In addition, the administration proposes to retain the current Food Stamp Program limitation on resources. Public Law 99-198 would raise the resource limit for most households from \$1,500 to \$2,000 and would extend the higher limit of \$3,000 for households of two or more persons, at least one of whom is elderly, to an elderly person living alone. Deleting these changes will save \$77 million in 1987.

We believe this proposal is prudent since the change enacted in Public Law 99-198 would result in higher resource households qualifying for Federal food assistance. Currently, the Food Stamp Program's resource limits are higher than the limits of most other assistance programs. The current limits are not unduly restrictive for most needy households since a household's home, personal belongings, and most vehicles are exempt from the resource test.

The administration proposes to amend the Food Stamp Act to repeal two amendments that will affect the excess shelter expense and the dependent care deduction. Our proposal would retain the current limits on the shelter deduction until the end of fiscal year 1986, when they would be adjusted in accordance with established procedures. Also, it would delete the scheduled separation of the dependent care deduction from the excess shelter expense deduction.

We believe that the present limits on shelter expenses provide a sufficient deduction for the average food stamp household, and we believe that separation of the dependent care deduction from the shelter deduction would complicate program administration. This proposal would save \$55 million in 1987.

The administration proposes to revise the error rate liability system so that State agencies would bear the fiscal responsibility of their overpayment errors in excess of the 5-percent threshold. The

present liability system ties error rate liability to administrative costs and bears no relation to the true cost to the Federal Government of total errors or to each State agency's contribution to error-rate losses. The administration's proposal operates so that the cost of excessive errors will be borne by those State agencies with excessive errors in equitable proportions. This is appropriate since State agencies are responsible for administering the Food Stamp Program and are in a position to control errors. This proposal would save \$11 million in 1987.

The administration proposes to establish 25 percent Federal funding of State agencies' administrative costs that exceed 175 percent of the national median per recipient costs. Currently, a State agency receives a minimum of 50 percent Federal funding of nearly all of its administrative costs. While this proposal is not expected to affect many State agencies, it does increase pressure to improve inefficient administrative practices where such exist. This proposal would save \$4 million in 1987.

We propose to gradually phase out enhanced funding for fraud investigations and prosecutions and automated data processing developmental costs. These costs are now shared on a 75 to 25 Federal/State basis. The Federal share would be gradually reduced to 50 percent by 1989. In 1987, this proposal would save about \$2 million.

The administration proposes to rescind the increases scheduled under Public Law 99-198 for the Puerto Rico Nutrition Assistance Program and reestablish the \$825 million grant level. We believe this is an effective way to maintain budgetary restraint in the case of the Puerto Rico program, since the Federal program cannot curtail costs through changing eligibility or benefits. The administration, therefore, has requested \$27.75 million less than authorized in fiscal year 1987.

A final food stamp proposal would permit State agencies to elect to operate low income nutrition assistance grant programs in lieu of the national Food Stamp Program. Any State agency exercising the option to operate its own Nutrition Assistance Program would be provided first-year funding equivalent to its administrative costs for the previous fiscal year, plus the value of benefits issued in the State during the preceding fiscal year. The administrative portion of the grant would be adjusted to reflect changes in the costs of program administration. The benefits portion would be adjusted on the basis of changes in food prices, unemployment levels, and the number of individuals in the State living below the poverty line, as well as any other factors established by the Secretary. The State agency could use each year's funds in the year they are provided or in the next year.

Turning to our commodity proposals, we are proposing some changes in two programs under the subcommittee's jurisdiction.

First, we propose to eliminate authorization for funds to assist States and emergency feeding organizations with costs incurred in the distribution of commodities donated under the Temporary Emergency Food Assistance Program. We believe that since more than 90 percent of the cost of this program is borne by the Federal Government through the provision of commodities to States, it is equitable for States to furnish intrastate and local distribution costs. This provision would save \$49.7 million in fiscal year 1987.

Therefore, the administration has not requested any administrative funds for TEFAP.

Second, the administration proposes to make some legislative changes in the Commodity Supplemental Feeding Program.

We would delete the Secretary's authority to continue service to the elderly through pilot projects. However, the three present elderly pilot project sites would be permitted, beginning in fiscal year 1987, to continue serving those low-income elderly persons who were being served during fiscal year 1986.

We would remove administrative funding attached to donated commodities in the program. Program administrative funding would be restricted to 15 percent of the annual program appropriation. As is true in TEFAP, since the Federal Government contributes the food, it is equitable for the States to cover related administrative costs.

We would delete the mandate that the Secretary approve applicants of additional CSFP sites in areas in which the program does not currently operate to the full extent that funding permits. Instead, we would prohibit approval for funding of new CSFP programs or sites in an existing program which would operate in areas already served by the WIC Program. This would prevent further program overlap and thus achieve greater administrative efficiencies.

We would delete a provision in the law which allows CSFP local agencies which have received more funding than is necessary for service to women, infants, and children to commence service to low income elderly persons, with the Secretary's approval. We propose limitations on commodity distribution to the elderly through CSFP since it would duplicate other nutrition programs for the elderly, including congregate nutrition services and home delivery nutrition services administered by the Department of Health and Human Services, as well as the USDA Food Stamp Program and commodity distribution through food banks.

This concludes my formal remarks, Mr. Chairman. I would be happy to respond to your questions.

[The prepared statement of Mr. Leard appears at the conclusion of the hearing.]

Mr. PANETTA. Thank you very much, Mr. Leard, for taking the time to come before the subcommittee with the position of the administration.

You heard some testimony this morning, and we on the subcommittee have continued to conduct hearings throughout the country—the most recent hearing was in Detroit—and I continue to get reports from throughout the country, as well as from the mayors and the Governors, that indicate hunger continues to be a growing problem in this country.

Does the administration believe that hunger is a growing problem in this country?

Mr. LEARD. Mr. Chairman, I really don't know if hunger is a growing problem. I've seen a lot of these studies, purported studies, which we don't think really hold a lot of water, quite frankly. We do know that some of our programs, such as the Food Stamp Program, are moving downward in scope, and we have our programs out there to cover all facets of the population. We are putting a lot

of food out. We have the programs there, entitlement programs. So I can't tell you that it is increasing in scope.

Mr. PANETTA. Have you ever taken the time to go out and visit soup kitchens and visit food pantries and visit distribution centers?

Mr. LEARD. Mr. Chairman, quite often. I have been around this country.

Mr. PANETTA. Tell me what you see when you go there.

Mr. LEARD. I see people there getting very high quality food.

Mr. PANETTA. Do you see increasing numbers? Have you asked them whether the numbers that are waiting in line have increased from the prior year?

Mr. LEARD. I have talked to people, and some say their numbers are increasing, yes.

Mr. PANETTA. Is that an indication of a growing problem?

Mr. LEARD. I don't know that that's a growing problem or an increase of people availing themselves of a facility.

Mr. PANETTA. Do you think people avail themselves of going to a soup kitchen because they enjoy going to a soup kitchen?

Mr. LEARD. I don't know why these people are there. I don't go out and ask every one of them—

Mr. PANETTA. Well, you ought to take the time to do that. You ought to take the time to ask people in the soup kitchen line why they're there. Because the answer that I get is they don't want to be there, they just don't want to be there. It's the last place they want to be. They would much prefer to be in a job; they would much prefer to be a productive member of society. That, I think, is the tragedy of what we're seeing in terms of these soup kitchens and the reports that we're getting.

You know, the President's own Commission on Hunger made very clear that hunger is a problem in this country. I guess the frustration I have is that I find very few people who challenge that conclusion. As a matter of fact, they indicate that more attention has to be paid to that problem. Every time we try to develop a program to respond to it, and get the concurrence of the Congress, both the House and the Senate and, indeed, the signature of the President, as we did on the Food Security Act, that we then find ourselves in a situation of fighting the same old battle.

So I guess the concern I have is that—You're probably right. I mean, your answer is, I think, perhaps more honest than I had anticipated, which is essentially that you're not very sure that there is a problem of hunger in the country, and I think your program basically reflects that ambivalence.

I mentioned to Mr. Bode my concern about when I hear the testimony of the administration before the Select Committee on Hunger, I hear all of the reports about how great these programs are and how many people are being served, and yet when we deal with these programs and budget cycles, I have to fight off all of the efforts to cut back on the benefits and the provisions that are part of the programs that the administration takes credit for when it appears before other committees. I have a strong feeling that Congress is going to reject the proposals in the budget. Indeed, both the House and the Senate have already rejected the budget proposals. I hope next year when you present your testimony you will indicate that, whatever you're doing on behalf of the hunger programs, has

been done largely as a result of what the Congress has been able to maintain as opposed to what the administration continues to propose in reductions.

Let me give you an example. The assets test, a very small assets test increase that we provided in the Food Security Act, it was a provision that, in fact, was recommended by the President's own Commission on Hunger. As a matter of fact, they recommended even a higher level than what we eventually provided in the Food Security Act—again supported on both the House and Senate side in terms of the conference and signed into law by the President.

I just wonder, is there any justification for why you go after an asset limit which, from our studies, indicates is of particular value to older Americans and their ability to benefit from this program. What in God's name is the reason for going after that?

Mr. LEARD. Mr. Chairman, the reason we're going after some of these provisions is that we don't believe they are necessary.

Just one example is the 20-percent earning deductions. Our analyses show that the average expense is 16 percent. The current 18 percent is a good number, so why spend more money to move it to 20 percent? And the same goes for such things as your shelter deduction. It's a very small number of people involved.

Clearly, we're not trying to take entitlements from those people who deserve them. We are trying to keep this program from inflating in areas where it is not needed.

Mr. PANETTA. Are you saying then that the President's Commission on Hunger was off base?

Mr. LEARD. I'm saying that we feel, based on our studies, that these increased deductions and limits provided by the Food Security Act were excessive and that we would like to see them repealed and tighten the program a little.

Mr. PANETTA. My question is, you do not agree with the President's recommendation?

Mr. LEARD. These don't.

Mr. PANETTA. Pardon me?

Mr. LEARD. The President's task force made recommendations. They were not, to my knowledge, accepted entirely. They were submitted, and we feel that these things that are in this time of tight budgets need to be cut back.

Mr. PANETTA. Let me ask you about another area, then. There is a great deal of talk that comes out of the administration—and, very frankly, we share the concern about getting people off food stamps, to being productive citizens, to be able to work. But our studies have indicated that the way to do that is to provide incentives, not disincentives, to work. That was the main thrust for going on the work incentive, or the work income deduction, from 18 to 20 percent, and it was also the reason for the child care deduction, to try to provide the ability, particularly for working mothers, to be able to get out there and work—to be able to get out there and work.

And the same time that the administration talks a good line on work provisions, you're cutting back or you're eliminating the very provisions that we included, signed by the President, in last year's Food Security Act to provide those incentives.

Now, aren't you, in effect, undermining the very thing you're talking about trying to do?

Mr. LEARD. No, I don't believe we are, Mr. Chairman. If you're talking about the Employment and Training Program, I assume you're talking about our budget proposal to fund at \$30 million, not \$50 million—

Mr. PANETTA. I'm talking about these specific provisions that were included on the earned income deduction.

Mr. LEARD. OK. Let me shift to that, then.

There is a minimal, if any, effect on work incentives. The farm bill change provided less than 1 percent in additional food stamp benefits for each additional dollar in earnings, so we don't think it's going to have an effect at all as a work disincentive, but by the same token, it will keep it at a realistic percentage.

Mr. PANETTA. So how many people do you think are going to be impacted by that provision, by eliminating the provision?

Mr. LEARD. About 18 percent will have a very small reduction.

Mr. PANETTA. Isn't that a significant number?

Mr. LEARD. Not for a very small amount of benefits.

Mr. PANETTA. I mean, when you go to 18 percent, how many people are being impacted? That's my point. How many people are being impacted?

Mr. LEARD. Pardon me?

Mr. PANETTA. I'm talking about people here now. How many people will be hurt as a result of—

Mr. LEARD. About 1.5 million households in 1987 and the average amount would be about \$3.

Mr. PANETTA. I wouldn't call that insignificant, would you?

Mr. LEARD. Our studies show that the average work expense is 16 percent. The current deduction of 18 percent is above that, so to go to 20 is an area where we should be able to tighten up the program a little.

Mr. PANETTA. Let me continue along that line on the employment program, because again, it is the view of this subcommittee that we have to provide those incentives. But all of our hearings and all of our studies, and wherever we've gone, it has been made very clear that the worst thing we could do is to mandate something and then undercut it in terms of providing resources to support it. That is the worst thing we can do. Anybody who talks about federalism is talking out of both sides of their mouth if they think they can mandate something in terms of work programs and then cut the funds out from under it.

Let me tell you what I'm talking about. At the very same time that you are mandating a work program, you are cutting almost 40 percent, 40 percent from training and employment programs that would be provided to the States. As a result of that, CBO—we just got a letter dated April 14 on that—says that your approach here would not be cost effective. Why?

CBO estimates the savings at the Federal level is about \$40 million from your provisions, if you reduce all of those training programs that you want to do. State costs, State costs, to try to then implement what you're mandating them to do, would be \$42 million.

Now, you please tell me what incentive does a State have to cooperate with the Federal Government and develop meaningful work programs when they have to pick up the entire tab for what the Federal Government is mandating them to do?

Mr. LEARD. Mr. Chairman, I'm not sure that we agree with those numbers, obviously. First of all, we've operated job search programs, and we have a little experience in it. In fiscal year 1985 we were enrolling around 900,000 people in that program, and we were doing it at a cost of under \$30 million.

Now, in fiscal year 1987, we're proposing an enhanced work program for about 675,000 people. We feel that \$30 million is a reasonable cost for doing that. Of course, in the next year when the performance requirement is increased to 50 percent of the work registrants, then the Federal support rises also.

Mr. PANETTA. But at the same time you're doing that, you're reducing all of the other programs that are targeted at training people by 40 percent.

Mr. LEARD. Mr. Chairman, we have a lot of experience in working with the States and funding work registration job search and making sure the funds are used properly. We feel that's an appropriate amount.

Mr. PANETTA. But you're cutting money, cutting the money. It's not a question of talking with them and chatting with them. You're cutting the very resources they need to do a good job in terms of job training.

Mr. LEARD. We feel they can do it with \$30 million. They're only doing 25 percent of all work registrants.

Mr. PANETTA. Well, I don't know. That's the kind of insanity, frankly, that the Federal Government gets accused of all the time that you're just repeating. We cannot mandate things and then pull out the very resources you need to do the job right. All you're going to do is create a bureaucratic nightmare. That's what you're going to do.

And, you know, don't just listen to me. You guys don't anyway. Don't just listen to me, but just take the time to go out to a workfare community like San Diego—

Mr. LEARD. I've been there, Mr. Chairman.

Mr. PANETTA. All right. Ask them. Have you asked them?

Mr. LEARD. I have talked to them, yes.

Mr. PANETTA. Does this make sense?

Mr. LEARD. Yes. I know—

Mr. PANETTA. I have talked to them, too, and they say this makes no sense at all.

Mr. LEARD. We think it does.

Mr. PANETTA. But who—tell me somebody in this country who has said to you, "By God, this makes a lot of sense for the Federal Government to mandate this and then give us no money." Tell me somebody. I want to talk to them, out there in the country. Give me a State director, give me somebody I can talk to in the country that agrees with you.

Mr. LEARD. I must say, having had 3 years now of work registration job search, we have a lot of experience working with States in these programs, and again, we feel the \$30 million would be sufficient.

Mr. PANETTA. Well, I think you've answered my question. What I would like to do is submit other questions that I have that deal with other aspects of the program.

[The material follows:]

Question:
(Panetta)

Does it remain the Department's position that no fiscal sanctions will be collected in Fiscal Year 1986 as the President's budget for Fiscal Year 1987 proposes?

Answer:
(Leard)

We do not expect to collect any sanctions in FY 86. As you know, P.L. 99-198 imposed a six-month moratorium on collection of any sanctions, so we are prevented by law from collecting any money until June 24, 1986. It is unlikely that any money will be collected during the last quarter of the year since administrative and judicial reviews on outstanding sanctions are not expected to be concluded by then.

Question:
(Panetta)

Is the proposal to collect \$169 million in Fiscal Year 1987 realistic based on past practice in the Department? For example, for Fiscal Year 1981, the Department proposed fiscal sanctions of \$29 million and collected \$1.3 million. The other sanctions were either waived or overturned upon appeal by the States. For Fiscal Year 1982, fiscal sanctions of \$14.6 million were proposed. While the appeal process is not yet complete, the maximum possible collections would be \$5 million.

Answer:
(Leard)

We believe that the anticipated collection in 1987 is ambitious but reasonable. Past experience is not a reliable indicator in this instance for several reasons.

First, we are now nearing the end of the first full cycle of administrative and judicial reviews of liability billings. It has taken longer than expected to work through the entire process. We believe, however, that the precedents set by these early cases will define the grounds for future

appeals more clearly and help speed their resolution.

Second, the grounds for considering waivers of liability are now more limited than in the years cited in your examples. The Food Stamp Act Amendments of 1982 eliminated the Secretary's authority to grant waivers if a State made a "good faith" effort to reduce error.

Finally, we recently published proposed rules that streamline quality control arbitration and administrative review to make it less time consuming and more efficient. Moreover, the Food Security Act of 1985 will, in House Report 99-271, Part 1, "require the Secretary to meet a tighter timeframe than is currently in practice in establishing State error rates, informing States of their performance, and initiating error rate claims against the States."

Question:
(Panetta)

Total proposed sanctions for Fiscal Year 1983 and 1984 total \$94 million. Based on your record in Fiscal Years 1981 and 1982, how much of that amount do you expect to collect?

Answer:
(Leard)

The President's Budget assumes that the entire outstanding liability for Fiscal Years 1983 and 1984 will be collected.

Question:
(Panetta)

Could you also break down the source of the \$169 million estimate? Based on the figures which the Department has supplied, total potential collections in Fiscal Year 1987 from outstanding sanctions would be \$99 million (\$5 million from Fiscal Year 1982 and \$94 million from Fiscal Years 1983 and 1984). What sanctions do you assume from Fiscal Years 1983 and are those for the entire year?

Answer:
(Leard)

The breakdown of anticipated collections in Fiscal Year 1987 (in millions of dollars) is shown below. The first column is based on information available at the time the President's Budget was submitted. The second column is based on more recent information. The totals are slightly different from the sum of the individual years because of rounding.

<u>Fiscal Year of Liability</u>	<u>President's Budget</u>	<u>Revised Estimates</u>
1981	\$ 2	\$ 2
1982	6	5
1983	12	12
1984	89	81
1985	<u>59</u>	<u>59</u>
TOTAL	\$169	\$160

The President's Budget assumes a total Fiscal Year 1985 liability of \$177 million of which one-third will be collected in 1987 with the balance collected in 1988.

Question:
(Panetta)

Fiscal sanctions in welfare programs have become a classic budgetary shell game. The proposed savings of \$169 million in food stamps, while apparently highly optimistic, are quite conservative in comparison with the savings of over \$700 million proposed in AFDC. Even though they may be conservative in comparison with AFDC, however, the Administration's savings estimate was rejected by CBO which estimated that the proposed fiscal sanctions could not be collected until Fiscal Year 1990. Because of Gramm-Rudman, it is going to be more difficult to get supplementals than before. Are you just setting up a situation in which there will be a food stamp funding crisis if you are not able to collect the fiscal sanctions which you assume?

Answer:
(Leard)

We believe that the money in the budget request will fully fund operations of the Food Stamp Program in FY 1987 if Congress acts promptly to enact the Administration's proposed reforms.

The assumed collections are ambitious, but we intend to pursue vigorously all outstanding liabilities through every level of administrative and judicial review. Clearly, we disagree with the CBO assumptions, although I would note that even CBO anticipates some collection of liabilities in 1987 under current law. As I noted in response to an earlier question, past experience is not a reliable indication of future performance in this instance. We have taken significant steps to streamline the collection process, making it less time-consuming and more efficient. The President's Budget is entirely consistent with these changes.

Question:
(Panetta)

How many times have you been taken to court by States on quality control sanctions? How many cases have you won?

Answer:
(Leard)

All five cases in which error-rate liabilities of State agencies have been upheld by the State Food Stamp Appeals Board have resulted in judicial action. One of the five, Connecticut, was settled before a decision was reached; the other four cases are pending (Alaska, Arizona, New Mexico, Pennsylvania).

Question:
(Panetta)

The President has called upon his domestic advisors to develop by the end of this year a welfare reform proposal. A major component of previous welfare reform proposals was to improve coordination of programs. How does the proposal in the President's budget to reduce food stamp benefits if a recipient is trying to escape welfare dependency by participating in a training program authorized by the Joint Training Partnership Act assist in improving program coordination?

Answer:
(Leard)

The Department's proposal to count all income provided under the Job Training Partnership Act of 1982 (JTPA) for food stamp purposes is not part of the President's plans to propose welfare reform. The food stamp proposal is intended to rationalize the handling of JTPA income.

The Food Security Act of 1985 provided for counting JTPA earnings of persons 19 years old and older. The JTPA earnings of persons under 19

years of age, JTPA training allowances, cash payments for supportive services, and needs-based payments are all cash income available for the recipients to use for any purpose, including the purchase of food. There is no reason such payments should not be considered when calculating a households' ability to meet food needs from available income; yet they are excluded for food stamp purposes.

In addition, non-JTPA training allowances are included as income, as long as they are not reimbursements, as are other needs-based payments, such as those from the Aid to Families with Dependent Children or Supplemental Security Income Programs. In certain situations, JTPA payments can actually replace other fully countable income, such as AFDC grants. We think it is important to attain consistency in the treatment of income within a single program, which this proposal is designed to help the Food Stamp Program do.

Question:
(Panetta)

The Gramm-Rudman-Hollings legislation exempted food stamp benefits and State administrative costs from sequestration under Gramm-Rudman-Hollings. CBO estimates that all of the domestic programs subject to sequestration could be cut by 8.4 percent in Fiscal Year 1987 based on current projections. Do not the President's proposals for food stamps potentially cut the funds available to States to administer the program by more than if these costs were subject to sequestration?

Answer:
(Leard)

Quite the contrary. The President's proposals seek a reduction of only \$6 million in administrative funds due to changes in administrative matches. This represents a reduction of less than one percent. Allow me to elaborate on the other two items you've included in this question and why they are not reductions in administrative funds due to new proposals by the President.

The estimated \$169 million of fiscal sanction collections is not the result of any proposals in the President's budget. Rather it is the estimated collections from fiscal sanction liabilities incurred in Fiscal Years 1981 to 1985.

The \$11 million savings is not an increase in fiscal sanctions. Instead it is the assumed reduction in misspent benefits that will occur as States improve their program management under the proposed benefit-based sanction system. The savings do not come from reduced administrative funds.

Question:
(Panetta)

If sequestration went into effect, what would be the impact on the operations of the Food and Nutrition Service assuming the 8.4 percent reduction CBO projects? Would there be an increase in program costs because of less monitoring of State operations and retail outlets by Federal employees?

Answer:
(Leard)

If sequestration went into effect in Fiscal Year 1987, the Food and Nutrition Service would make the adjustments necessary to meet its budget, just as it has done in Fiscal Year 1986. These adjustments would be designed to continue maintaining the integrity of the programs administered by the Food and Nutrition Service. One specific effect would be to delay the five-year investment program designed to upgrade the computer capability of the Agency and lessen the reliance on large review staffs.

Question:
(Panetta)

Although you estimate that your proposals would save approximately \$313 million for Fiscal Year 1987, we are concerned that most of these proposals would achieve these savings by tightening eligibility criteria or reducing benefit amounts for current participants. Can you tell me approximately how many current food stamp participants would be removed from the program by each of these proposals and what the average per month benefit allotment reduction would be for the remaining participants?

Answer:
(Leard)

Only our proposal to return the asset limits to their levels before the Food Security Act of 1985 has a direct effect on eligibility for the Food Stamp Program. We estimate that average monthly participation will be reduced by about 140,000 persons by this proposal. As you are aware, the entire reduction is limited to new participants affected by the Farm Bill change.

Our enhanced work program proposal is expected to reduce participation by about 170,000 persons per month. This is due to an increase in participant turnover since persons will leave the program to take jobs and not through a change in eligibility.

Our other proposals are expected to have a minimal effect on the participation levels in the Food Stamp Program. The savings in the other proposals result from small reductions in monthly benefits for affected households.

The proposal to count all cash payments from the Job Training and Partnership Act as income will reduce average monthly benefits by less than \$9.00 for the 93,500 households affected by this proposal.

The proposal to eliminate from consideration any expense met by payments under the Low Income Home Energy Assistance Act (LIHEAA) could reduce monthly benefits by an average of \$5.50 for as many as 940,000 households receiving cash LIHEAA and 85,000 households receiving LIHEAA benefits from a third-party payment if all LIHEAA households were affected.

Our proposal to restore the earned income deduction to 18 percent of total earnings effects all households with earnings (about 20 percent of all food stamp households or 1.5 million households in 1987) by about \$3 per household per month.

Our proposal to retain the combined excess shelter and dependent care deductions at present levels may effect as many as 833,000 households by about \$5.75 per month.

The rest of our proposals achieve their savings through either changes in the levels of our administrative cost match or assumed reductions in erroneous overpayments.

Question:
(Panetta)

Which food stamp participants would be most affected by your proposal to reduce the excess shelter and child care deduction? In conjunction with your proposal regarding energy assistance which areas of the country would be most affected by these changes? What studies does USDA have concerning the economic conditions in these sections of the United States?

Answer:
(Leard)

The Administration's proposal to retain the excess shelter and dependent care deductions as authorized by the Food Stamp Act prior to amendments by the Food Security Act of 1985 (P.L. 99-198) would, in general, affect slightly larger households with somewhat lower income.

The Administration's proposal to exclude utility expenses paid from the Low Income Home Energy Assistant Programs (LIHEAP) from being counted toward the excess shelter deduction will most affect households in the Northeast and the Southwest Regions. Least affected households are in the Southeast Regions. This reflects the relative distribution of LIHEAP and Food Stamp Program (FSP) benefits.

The Food and Nutrition Service uses economic analyses conducted by the Economic Research Service as well as those conducted by the Departments of Commerce and Health and Human Services.

Question:
(Panetta)

The President's Budget proposed several changes in the Food Stamp Program including a change in the Federal/State share of costs for investigating or prosecuting fraud and for developing ADP systems from 75/25 to 50/50. What effect will this change have on the States' incentive and ability to investigate and prosecute fraud and to develop automated systems to improve food stamp operations? Does this imply that USDA does not believe that fraud pursuit and computerization are important functions worthy of special attention?

Answer:
(Leard)

We most certainly believe that anti-fraud activities and computerization are important. We do not anticipate that our proposal to reduce enhanced funding over time for certain anti-fraud activities and ADP costs will adversely affect State agencies' actions in those areas. Federal funding of 75 percent of fraud investigations and prosecutions has played a part in more than doubling the number of fraud investigations and individuals disqualified as the result of prosecutions between Fiscal Years 1982 and 1985.

Since enhanced fraud funding was authorized by the Food Stamp Act of 1977, State agencies should be fully aware by now of the benefits they reap from reducing fraud and increasing fraud claims collections--lower error rates and retention of more recovered sums. The 1980 amendments authorized 75 percent Federal funding for

planning, designing, developing and installing ADP systems. This enhanced funding has been instrumental in achieving the present degree of automation: no less than 50 State agencies are at least in the planning or development stages with 45 or more of them fully automated or planning to be by mid 1989 (when enhanced funding would be fully phased out under the proposal). Thus, the bulk of automation will be completed under enhanced Federal funding. We assume that any State agencies that have as yet not even begun to automate are not going to do so as the result of Federal funding incentives.

Question:
(Panet ..)

One of your proposals would establish 25 percent Federal funding of State agency administrative costs that exceed 175 percent of the median unit cost. What is the median unit cost? How many States exceed the 175 percent criteria? Do States that spend more than the median have stronger or weaker programs? What is your justification for reducing assistance to States that have made, what appears to be, a greater financial commitment to administering the Food Stamp Program?

Answer:
(Leard)

The Agency proposal would establish a maximum per recipient cost amount above which the Federal share of State administrative costs is reduced to 25 percent. The maximum would be 175 percent of the median administrative cost per recipient in a prior 4-quarter period. If the base 4-quarter period chosen is one year or more prior to the year in which the limit applies, the effect of inflation over this lag would be taken into consideration by adjusting the 175 percent by the change in the GNP implicit price deflator. Assuming that the base 4-quarter period used for setting the FY 1987 maximum is October 1984 through September 1985 (it might be more recent), the median administrative cost per recipient is \$88.24. The 175 percent target, adjusted for inflation, is \$162.70.

This proposal is not expected to affect very many State agencies. Based on current cost patterns,

only three State agencies would lose any Federal funding: Alaska, Arizona and the District of Columbia.

The proposal arose from our concern about the tremendous variation among States in their administrative costs relative to the size of their caseload. In FY 1985, there was almost an eleven-fold difference in per unit administrative costs between the highest and lowest State. Some of this variation is justifiable in terms of real program cost differences. Extreme differences, defined as 75 percent higher than the median or greater, reflect management inefficiencies.

A State's performance--that is, whether it has a strong or weak program--should be judged on its achievement of many objectives, one of which is the implementation of effective and efficient management practices. There is not a strong correlation between a State's performance in terms of its error rates and its unit administrative costs. There are States with costs above the median with low error rates and States with costs below the median with high error rates. However, in terms of the three States that might be affected by this proposal, all had error rates above the national average in FY 1984 and two exceeded their targets.

The proposal should not have much impact on most States which might be setting up special corrective action projects that may entail high start-up costs. The point at which the lower reimbursement rate would be triggered is 175 percent of median costs. This is a generous benchmark that allows for variation in administrative costs among States. This proposal serves less to save money next year than to notify States that the Department will not continue to pay half of whatever they choose to spend, no matter how much.

In fact, we project that only three States will be affected by the median administrative cost proposal in Fiscal Year 1987. They are Alaska (-\$1.9 million), Arizona (-\$2.1 million) and the District of Columbia (-\$200,000). These reductions--a total of about \$4 million--would occur only if these States continue current spending patterns. We did not estimate savings on a State-by-State basis for the proposal to phase out enhanced funding for computer development and fraud investigations/prosecutions. We did not feel we could accurately project individual State decisions in these areas, so we looked at savings only on a nationwide basis, using recent spending trends. The enhanced funding proposal is estimated to save roughly \$2 million in the last six months of Fiscal Year 1987, when the rate is proposed to drop from 75 to 70 percent.

Mr. PANETTA. Mr. Emerson.

Mr. EMERSON. Thank you, Mr. Chairman.

Mr. Leard, the USDA is proposing an employment and training program that differs in some respects from the proposal that was included in the 1985 farm bill. State flexibility is restricted in what you're doing and, in fact, the USDA anticipates that the States will have to put up \$43 million to comply with your proposal.

Now, I don't have any problem with the States paying their fair share of certain costs, but this may be self-defeating. We may end up with fewer people finding private sector employment. I believe we had a pretty good employment and training program in the farm bill and I would like to see it put into place in the States and given a chance to work.

Now, this is more of a comment than a question, and perhaps there is some pride of authorship. But I believe the USDA is missing the boat by not supporting our employment and training program.

Did you want to comment on that?

Mr. LEARD. Well, I understand what you're saying, sir, and we feel that the changes we're proposing will not restrict the States' flexibility in designing what the program will be doing. We felt that we did need some standards and we felt that they made it somewhat more meaningful. But we didn't feel they were that restrictive.

Mr. EMERSON. Well, that's all a question of definition. Tell me, what are you trying to do, implement the Gingrich amendment?

Mr. LEARD. Again, you're right. That's a—

Mr. EMERSON. That amendment was defeated on the floor of the House and was not included in the farm bill?

Mr. LEARD. I'm sorry, I didn't understand.

Mr. EMERSON. It was defeated on the floor of the House and not included in the farm bill. Is that what you're trying to implement? We've got an employment and training program in the farm bill that you should be in the process of implementing.

Mr. LEARD. We are in the process of implementing that.

Mr. EMERSON. Fully consistent with what we wrote in the law?

Mr. LEARD. That is correct. We are going ahead with implementing the farm bill, but we feel that these provisions would improve upon that employment and training program.

Mr. EMERSON. I would like to be kept apprised of developments and regulations as they are put forward implementing that particular section of the farm bill.

Mr. LEARD. We'll be going out with that regulation in June.

Mr. EMERSON. It might be well if the subcommittee could have some preliminary discussion with you before the regulations do go out. We would like to have some ongoing dialog with you on the subject. This is a subject of great interest and concern to me and I think to the entire subcommittee.

Mr. Leard, one of the USDA proposals requires a change in administrative reimbursement to the States. In effect, States with higher administrative costs will receive a lower reimbursement from the Federal Government.

Now, what I want to know is, how will this impact States that are setting up computer systems or initiating a special corrective

action project whereby high costs are incurred initially but overall savings, perhaps over several years, are anticipated? You anticipate savings, for example, of \$6.3 million in 1987. However, hidden costs may occur if States don't implement computer programs.

Do you have a breakdown, State by State, on how these savings will occur?

Mr. LEARD. Well, there are two parts to this. One is the reduction in administrative costs as States become fully automated. If a State has an approved planning document, which is what we use as our basis for working with the States—something we call an advanced planning document—then even though implementing the plan takes over a couple of years, they would still be receiving the funding at the approved level. This would not force a reduction. I think what we're trying to do is get the States that haven't automated to do it.

The other part of this is where there's a variance of more than 175 percent of the median national administrative cost per recipient. That actually hits only three States in the Food Stamp Program because the 175-percent limit is relatively high.

Mr. EMERSON. Mr. Panetta and I have written to Mr. Bode on this subject encouraging you to proceed with all dispatch because we think when you are fully automated there can be tremendous savings. We have seen some demonstrations of that in some pilot programs.

Mr. LEARD. We agree with that.

Mr. EMERSON. We would like for you to exercise all of your options and proceed as deliberately as you possibly can.

Are you familiar, Mr. Leard, with the Focus: HOPE Program in Detroit, MI, utilizing the Commodity Supplemental Food Program?

Mr. LEARD. Yes, sir, I am.

Mr. EMERSON. It is one that I think is very successful, one in which more people can be fed at lower cost than some other food assistance programs. Will you tell us what you anticipate to be the future of the Commodity Supplemental Food Program? Will new sites be added or additional participants included in this program?

Mr. LEARD. Well, there's no doubt that Focus: HOPE is the largest. I have visited Focus: HOPE and they have a very fine program. I certainly know and admire the works of Father Cunningham and Eleanor Josaitis.

The program has somewhat reached a plateau and continues to operate very efficiently in some sites, at a rather stable caseload in most cases. The program is designed to meet the needs of eligible women, infants, and children through the provision of donated commodities. Of course, as the WIC Program has gotten bigger, I think it has probably siphoned off some of the people who might have normally gone on the CSFP Program. As WIC gets bigger, more go on it.

The elderly segment of CSFP began as pilot projects. I don't feel the CSFP Program should convert to an elderly program. CSFP was intended to be a commodity program for women, infants, and children, and that's the way we would like to see it stay.

Mr. EMERSON. But there are some pilot projects from time to time from which we do learn a lot, that can serve people more cost effectively in a variety of their needs. I think we don't just have

pilot programs for the sake of having pilot programs. When they prove something the lessons we can learn from them should be expanded upon and adapted to other locations and circumstances.

Mr. LEARD. The pilot programs were well run and have stabilized. Of course, we're continuing to run them. There's no denying that you can learn a lot from these, sir, and probably these should be translated into other elderly programs as the lessons are learned from them.

Mr. EMERSON. Thank you.

I have additional questions but I see my time has expired, so I would ask permission to submit my questions in writing.

Mr. PANETTA. Without objection, that will be so ordered.

[The material follows:]

Question:
(Emerson)

The USDA is proposing an employment and training program that differs in some respects from the proposal in the 1985 Farm Bill. State flexibility is restricted and in fact the USDA anticipates States will have to put up \$43 million to comply with the USDA proposal. I have no problem with States paying their fair share of costs; however, this may be self-defeating. We may end up with fewer people finding private sector employment. I believe we had a pretty good employment and training program in the Farm Bill and I would like to see it put into place in the States.

This is more of a comment than a question--I believe USDA is missing the boat by not supporting our employment and training program.

Answer:
(Leard)

We are working hard to publish regulations on the employment and training program as it was defined in last year's Farm Bill. We expect to publish proposed rules this summer and final rules in December. We fully intend to have the program in place in the States by the legislatively-mandated implementation date of April 1, 1987.

Nevertheless, we believe that the changes we have proposed will strengthen the employment program. Applicant job search is an inexpensive way to identify applicants who can obtain jobs without training and thereby focus the State's more intensive efforts on those recipients who have greater needs.

Likewise, we believe that escalating performance standards to 25, 50 and 75 percent will strengthen

State efforts to run employment programs that by FY 1989 will reach most of the work registrant population and increase recipients' likelihood of obtaining regular employment. Finally, the third proposal--to cap 100 percent Federal funding at \$30 million next year--takes into account the low performance standard proposed for that year. We also believe that, if States put their own money into employment programs, they are more likely to design effective programs.

In short, we believe our work proposals will result in better employment programs that are more likely to achieve the results intended in the Farm Bill program. Pending their passage, however, we are proceeding to fully implement current law.

Question:
(Emerson)

Are you familiar with the Focus:HOPE Program in Detroit, Michigan for the Commodity Supplemental Food Program? It is one that I believe is very successful--one in which more people can be fed at a lower cost than some other food assistance programs. Can you tell us what you anticipate to be the future of CSFP--will new sites be added or additional participants included in the CSFP?

Answer:
(Leard)

As you are aware, Congress intended through enactment of the Food Security Act, that the Department administer the Commodity Supplemental Food Program (CSFP) in a manner which ensures that available funds are fully utilized to serve as many eligible participants as those funds will

allow. To effect this general intent and the specific provisions of the Act, the Department is currently developing an amendment to the CSFP regulations. This amendment will likely be issued as an interim rule to provide for early implementation. During interim status, public comments will be invited.

These regulations will set forth a systematic process for consideration of program funding requests. To the extent that funds are available, this process will maintain participation at existing sites, including the original three pilot elderly feeding sites, one of which is the Focus:HOPE Program. The regulation will detail how requests from new States and States wishing to expand will be completed. It will further specify the process by which States with caseload not being used to serve the traditional women, infant and child clientele may serve elderly persons.

As the regulations are still under discussion and development, the Department is unable to predict their practical impact on actual requests for additional participation at this time.

Question:
(Emerson)

Should flour be made available as a bonus commodity for NCP processing agreements?

Answer:
(Leard)

The Department has not declared that there is a sufficient surplus of wheat, beyond domestic and international commitments, to warrant the provision of bonus flour to the school lunch and related programs.

If a decision is made to make flour available as a bonus commodity, FNS will look at how best to utilize this flour in the domestic nutrition programs.

Question:
(Emerson)

Are you familiar with the bill H.R. 4422 which changes the manner in which food stamp benefits are calculated with regard to the shelter deduction in the Food Stamp Program. Can you tell us whether there is a cost attributed to that provision of H.R. 4422? CBO estimates the cost up to \$25 million per year.

Is it correct to state that under that bill a food stamp participant need not have any out-of-pocket heating or cooling expenses but will still be able to receive the standard utility allowance?

Answer:
(Leard)

Enactment of the two provisions of H.R. 4422 that would affect the Food Stamp Program could increase program costs as much as \$44 million. Households would not be affected by this provision if they have out-of-pocket heating or cooling expenses and the sum of such expenditures and vendor payments made on their behalf is less than the State agency's standard utility allowance. Data are insufficient to estimate the number of households that fall into this category. If we assume that State agencies' standard utility allowances are set at or above the median utility expenditure, approximately half of the households would be unaffected by this change. This being the case, the maximum cost to the Food Stamp Program would be about \$22 million.

You are correct that, under H.R. 4422, a food stamp household would qualify for the standard utility allowance if it had no out-of-pocket expenses.

Mr. PANETTA. I notice the chairman of the full committee is here. As with all smart subcommittee chairmen, the chairman of the full committee is recognized for questions.

The CHAIRMAN. Thank you very much, Mr. Chairman. I apologize for not being here earlier. I tried to be four places at one time this morning and it has been very difficult. But I did want to come by before we go into session.

Mr. LEARD, what is the situation with WIC on the allocation or reallocation? Where are we now?

Mr. LEARD. Mr. Chairman, we have put out the \$10 million that was for growth in the program. That went out, I believe, about 2 weeks ago. In the particular instance that I'm sure you're interested in, Texas got a little over \$1.3 million. We have put out all the money we now have at this time in WIC.

I might continue, if you would like me to amplify on what I know that Texas is doing.

The CHAIRMAN. Well, you know the problem we've had down there, but—

Mr. LEARD. Yes, sir; as we talked before, Texas has gone ahead and is not recertifying or certifying new people in the lower priorities as others go off the program. Therefore, they are cutting back their caseload. With this, plus the money that has gone out—and I understand the State is providing a little extra money—I believe they're going to get their caseload down.

The CHAIRMAN. On the distribution of commodities like cheese, for example, I understand that you heard testimony earlier this morning expressing the same concern that I've had, that you go by region and not really by the smaller entity. We have a problem in Texas, for example, where we have an area that has been cut off because the State has already reached the allocation, but it wouldn't disrupt commercial sales or anything in the Lufkin area of east Texas.

Are you still insisting on doing the allocation by region or by State?

Mr. LEARD. Mr. Chairman, I'm not aware of this. We are going out with our fourth-quarter allocations at the current time and, of course, Texas will get its fair share of allocations. So there should be more commodities coming. I am not aware of what the particular problem is, but I would be glad to look into it.

We are continuing to put out the normal amounts that we have been putting out—

The CHAIRMAN. Excuse me for interrupting, but you handle the displacement factor in your allocation?

Mr. LEARD. We take that into account, yes, sir.

The CHAIRMAN. And do it for the States?

Mr. LEARD. Displacement analysis is done nationally. We cannot subdivide it down to get to State level or a local level.

The CHAIRMAN. That's the problem. Because if in my congressional district it isn't displacing, but nationally you say it is, we're cut out.

Mr. LEARD. I can only say this, sir, that we have no indications that cheese is displaced differently in different parts of the country.

The CHAIRMAN. Of course it is, just as you have different cultural customs. Good gosh, if you're dealing that blindly, we're in trouble. Excuse me. I didn't mean it to be derogatory.

Now, in the work proposal, you state—and I quote from page 5—“This proposal reflects the commonly accepted belief that employable people requesting aid should help to reduce the need for that aid by working.” I come from an area where they work, but this is a high salary for the common people. At \$4 an hour at 40 hours a week, you're getting \$160 a week.

Have you tried to pay rent, gas, electricity, clothing, medical on \$160 a week? This disturbs me greatly, that you equate a job with the quality of life of the individual. That's not it. It's how much the job pays that is the quality of life for that family.

I'm concerned that here you're trying to undo the 1985 Farm Act, which we thought was a compromise and agreement between the administration, the Senate, and the House. You come now to bring us proposals, but the proposals are to dismantle what we did in the Farm Act. You say, for example, in the work program, that you're going to come up with the regs in June. There will be how much comment; or are you in the comment period now? Have they been in the Register? Where are we?

Mr. LEARD. There would be——

The CHAIRMAN. In June.

Mr. LEARD. Right.

The CHAIRMAN. And then you have 30 or 60 days.

Mr. LEARD. Sixty.

The CHAIRMAN. July, August, and then you fiddle around for another month; that's September. It will be 1987 before you have the regs in place; right?

Mr. LEARD. We're projecting to have them out in December of 1986 in final.

The CHAIRMAN. OK. I missed it by a couple of weeks. [Laughter.]

So I'm not convinced that you're doing the utmost to comply with the 1985 act. But I guess that's the way you operate there.

The main factor is that we have a situation out there that is very difficult——

Mr. LEARD. Mr. Chairman, we were told to implement these by April 1, 1987, I believe, in the legislation.

The CHAIRMAN. Oh, the money thing, the budget. Excuse me. OK, we have to compromise on the budget situation.

Well, a final comment. I know this isn't in your field and I shouldn't even mention it, but we have mentioned it to the appropriate people. What we would like to do in this committee is that we be given the figure—and we're more responsible, really, than most other areas in this Government. All we ask, and we're all in agreement: We want the figure and then we set the priorities. We'll give the administration or the Budget Committee the amount they ask for, that is equitable and responsible for this Committee on Agriculture to act upon, and we'll give them their savings. I know this isn't in your field, that it comes from OMB, then through the process to you in making this statement here on proposals.

We want to do the responsible thing—we'll insist on it to the extent that we can—that whoever the responsible entity is should

give us the figure and then we'll set the priorities, because we are the ones who are responsible. We're the people's representatives. We're one weekend away from being down there with the people who are suffering, working or not working, and we're the ones who have been elected and given that constitutional responsibility.

I guess I say it out of frustration because we don't seem to be getting anywhere. Give us the figure and we will give you the savings, but we'll do the legislating and we'll set the priorities. I say this to you so you can mention it to whoever might listen to you. The proposals that you bring to us from the administration—if you attach your agency to the other agencies in the Department of Agriculture—constitute an irresponsible dismantling of the 1985 act, and we're just not going to do it. It's just not going to be done. We'll meet our numbers that we have to reduce, but we'll do it on our own and we will set the priorities.

Thank you for listening. I know this isn't your area, but I get frustrated and I'll grab anyone from the administration I can mention it to.

Thank you, Mr. Chairman.

Mr. PANETTA. Thank you, Mr. Chairman. Mr. Leard was sent up here to be chewed on.

I might mention on the April 1 date, the April 1, 1987, date is the requirement that each State at that point implement an employment and training program designed by the State, so clearly, the sooner the regulations get out, the more advanced notice. No State is prohibited from proceeding with that kind of program prior to April 1. It's just that at that point all States are mandated to have that kind of program in place. Obviously, the earlier we can get those regulations out, the better off we'll all be.

Mr. Olin.

Mr. LEARD. Mr. Chairman, we did want to give everybody a long chance to comment on these. We feel we'll get a lot of them.

Mr. PANETTA. Mr. Olin.

Mr. OLIN. Thank you, Mr. Chairman. I can't improve on what the Chairman of the full committee has had to say, or the chairman of the subcommittee. But I did want to get into a couple of areas, not that it might do any good.

Let me just ask you, Mr. Leard, in relationship between your operation in the Department of Agriculture and the people of the country that are hungry and get food stamps, the program itself and the States, would you say that your general viewpoint of that is that you're basically antagonistic to the people, the program, and the States administering the program? Is that where you're coming from?

Mr. LEARD. Not at all, Mr. Olin. I consider that we're here to service programs and to ensure that they're well run for the recipients and the taxpayers.

Mr. OLIN. Well, what is your philosophy with regard to the programs?

Mr. LEARD. My philosophy is to make sure that these programs are there for the eligible people and that they're run efficiently.

Mr. OLIN. You consult to some extent with the States, I take it?

Mr. LEARD. All the time.

Mr. OLIN. All the States?

Mr. LEARD. I don't talk with every State all the time, but I get a lot of calls from State people. I have seven regional administrators who are talking almost weekly, I suspect, with every State.

Mr. OLIN. Do you think there is any State that basically agrees with the program you have laid out for the next fiscal year? If there is any one, can you tell me which it is?

Mr. LEARD. I don't know. I haven't consulted them, if they agree in total. But again, at this time we're trying to make some savings and these are areas where we felt we could make them without affecting benefits.

Mr. OLIN. Let me just tell you, I don't know much about the Government. I worked in business for a long time, with a big company, and I ran businesses for that company for about 20 years in different places. I dealt with the problem of making policy and making things work, so it did us some good. Here we're talking about the same thing. We've got a policy to get food to people who need food, and we want to run it efficiently so that everybody feels good about the program.

I never found that I could sit on the top of that company—I was a part of the company—and edict how I thought it ought to be done and get anything done by pushing my edicts down on the people in my organization. It didn't work worth a nickel. The only thing I ever found that did any good was to try my ideas out on those people, like the States, see how they sounded, engage in some dialog with the people in my organization as to what they thought made sense—because they were on the working level and they knew what was going to help the business.

My job as the head of that was the same as yours. You're the head of and administering this program for the country. My job in being head of that business was to try to make it easy for my employees to do the right thing for the business, to help the business.

We're not in a very dissimilar situation here. Your job and the job of this committee, the job of the Congress, is to try to figure out what is going to be the best way to facilitate this program. The best way to find that out is to talk to the people who are working in the program, in the field, to try to help people and try to save money. If you start with the assumption that that's not their objective, that they're trying to squirrel away some of the money, or they're trying to give money to somebody that doesn't deserve it, of course, that's a problem.

I don't come at the program that way. I come at it on the basis that the people in the field pretty well understand what we're trying to accomplish and I think it's important to listen to them. I think one of the problems we're having in the Federal Government right now is the fact that many parts of the administration are so sure they're right about things—and you're one of them; it sounds like you are—that you come up with what's good for the country and you don't consult the country as to whether anybody agrees with you.

Now, is that a fair criticism or is it not?

Mr. LEARD. Well, I don't think it is, because I don't think you know me, Mr. Olin. I get out and I get around to my people and I get out and I am in contact. I also have experience in being in

large companies and I do believe that I understand how to run a company and the things that should be done.

Mr. OLIN. How many of the States have you made the sale to on this subject?

Mr. LEARD. I have not gone out and made the sale to anybody. It has been discussed through our regions with some, I am sure.

Mr. OLIN. Has your organization made the sale?

Mr. LEARD. I don't think that's the way to do it, to go out and make a sale to the States. It has been discussed and I'm sure it will get discussed more, and they will be able to comment. We asked them to comment certainly. There's a process for doing that.

Mr. OLIN. I just make the observation—and I'm not going to go through this forever—but I just make the observation that you will get along a lot better if you were able to make the sale of your program. You would get along a lot better with the Congress. We would have better programs and they would do more good. You don't agree with this; I can tell by the expression on your face. But it's true, nevertheless.

I think the attitude is typical in this program for people working. It starts with the assumption that people don't want to work. I don't think that's right. It says that the best thing to do is to be sure those people are involved in a job search program. We've got about 20 million people on food stamps, something like that, about 8 million people looking for jobs, and probably another 8 million that are underemployed who would like to have a better job. To have those people engage in a program of job search, standardized nationwide, a standard, uniform program, with all the States doing it the same way, all the States have the same percentage of them looking at the time, without any hint in here that what you're really trying to do is to get people on jobs that will support those people adequately to get off of food stamps. That's the whole point of it.

You have a program here that's going to make some theoretical, rather narrow administrator, feel real good. You've got everybody in the country looking for jobs. We prove that now. I mean, nobody gets food stamps unless they're looking for jobs. We have to prove it by having them actively on that program.

I just think the States don't agree with that. States agree with having job search and employment programs. But I'll bet you you don't have any State that agrees with the formula you have laid out here, do you?

Mr. LEARD. Congressman, we agree with job search. We think that it's a great thing, and it is not punitive. It's to assist people. We just want to make sure that it can operate in an effective manner. We certainly agree with job search. We're running it now.

Mr. OLIN. Job search isn't worth a nickel unless it results in people getting jobs.

Mr. LEARD. It is, sir.

Mr. OLIN. Well, I'm sure it does. Right, I'm sure it does. But we aren't getting a huge percentage of our people getting jobs. We have 8 million unemployed and those people are not all unemployed because they're not looking for work.

Mr. LEARD. That's one reason why we tried to set some standards, to get some minimum numbers on the program.

Mr. OLIN. That's why I would say the important thing is to work with the States and give them the flexibility to tailor that program to particular areas, where they've got possible jobs, where they've got unemployment, and things of that sort, rather than try to concentrate on uniformity, standardization, right across the whole country.

You're on the wrong track. I don't think we're going to get anywhere on this, but I think you're on the wrong track with regard to lots of parts of this program, for the same basic reason. That is, you do not have good integration between your organization and the people in the States that are trying to make the thing work. I think you're dead wrong.

Mr. PANETTA. Thank you, Mr. Olin.

Mr. Leard, I want to thank you for coming up and testifying. I hope that, despite the antagonism shown toward the proposals, I hope you won't approach these issues with a closed ear. Because this isn't said on a partisan basis. Both sides of the aisle on this subcommittee agree very strongly with the proposals that were contained in the farm bill in terms of particularly the employment program.

We want to see it work. We don't take this position lightly because we have invested too much in the program and have talked to too many people and have talked to too many State administrators not to want to make sure that this program works.

So I hope you will take these criticisms in the spirit with which they're given, which is a sincere effort to make this program work better.

Mr. LEARD. I understand. We're both working to the same end, Mr. Chairman. Thank you.

Mr. PANETTA. Thank you very much for your testimony.

It is the intention of the subcommittee to proceed through the lunch hour because we have a number of other commitments later in the afternoon and I'm going to see if we can't complete the testimony by early this afternoon.

The next panel is Mr. Tim Grace, who is chief of the bureau of food stamps for the Illinois department of public aid; Mr. William Knowles, who is director of the department of social services from Charleston, SC; and the Honorable James Moran, mayor of Alexandria, VA.

If all three of you would take your positions, I want to express my thanks to you for coming before the subcommittee and for taking the time to prepare the testimony and commenting on the issues that have been presented to you. We depend a great deal on the testimony that we get from people in the field and all of you obviously are very familiar with the issues that we have to work on here on the legislative side.

Having said that, let me ask the Honorable James Moran, the mayor of Alexandria, VA, if he would begin, please.

STATEMENT OF JAMES P. MORAN, JR., MAYOR, CITY OF ALEXANDRIA, VA, ACCOMPANIED BY LAURA DEKOUEN WAXMAN, ASSISTANT EXECUTIVE DIRECTOR, ON BEHALF OF THE U.S. CONFERENCE OF MAYORS

Mr. MORAN. Thank you, Mr. Congressman.

Mr. Chairman, the U.S. Conference of Mayors, for whom I am speaking, did a survey of 25 major cities last year. It was entitled "The Growth of Hunger, Homelessness and Poverty in America's Cities in 1985." They found that in 24 of the 25 cities that the need for emergency food assistance had increased substantially. In fact, the need for food assistance for families with children was up 30 percent. That's an enormous increase from one year to the next. Overall, the total need was up 28 percent.

They also found that 17 percent of the need goes unmet. In fact, two out of three cities said they were having to turn people away from their emergency food facilities. They all said, or 90 percent of them, said that they expected the demand is going to continue to increase this year. Plus a lot of it is due to low benefits in public assistance that are not keeping up with the cost of living in our cities. The lingering problem of unemployment is also an exacerbating factor. In fact, there was only 1 city out of all 25 that said that the national economic recovery had actually made a difference in the hunger problem. Every city but one said they're having to use their local funds, and 71 percent of the cities are largely dependent upon locally generated revenues.

It is nice to see you again, Congressman Olin.

Mr. OLIN [acting chairman]. Thank you. It's good to see you here.

Mr. MORAN. Of course, in light of this, it is hard to understand—well, maybe it's not hard to understand—but it certainly runs contrary to the actions of the administration in the fiscal year 1987 budget. There is a cut of \$350 million in the Food Stamp Program, as you're well aware. We want to pitch in for Puerto Rico, where they're experiencing a particularly difficult problem with hunger. To freeze their block grant certainly is counterproductive to what we're trying to accomplish.

They are reducing child nutrition programs by \$395 million, and another \$145 million reduction in child care feeding. The Temporary Emergency Food Assistance Program would be eliminated. The \$70 million in emergency food and shelter that FEMA administers would be eliminated. All told, it's over \$1 billion cut in nutrition programs. That type of cut is not going to be able to be sustained without a very dramatic impact on the hunger problem in our Nation's cities.

That, in itself, is bad enough. But obviously, what comes from one pocket to go to another pocket affects the pocket it's taken from. Our cities are coming up short in many areas. You have a real difficulty in determining what is your highest priority when our housing funds—there would be no new funds for housing assistance, and two-thirds of fiscal year 1986 funds are being rescinded. So that reduces our ability to meet food assistance, obviously.

There are significant reductions in the Summer Job Program and in Job Corps, so our unemployment situation is not going to be

able to be met by our local funds. Here the JTPA Act only provides for 3 percent of the eligible population as it is. It has been very successful in the inner city. In fact, when we added it all up, the administration's budget would cut those programs which aid the poor by \$9 billion in fiscal 1987, and by \$23 billion over the next 5 years.

We know that you are not going to pass the administration's budget, but we nevertheless have to emphasize what this administration is attempting to do to our Nation's cities. We want to let you know our appreciation for the efforts of this committee particularly in countering that effort. It scares us. We see the effects of Gramm-Rudman-Hollings moving on the horizon and our problems getting greater all the time. Our priorities seem to be in every area that at one time used to be considered national problems. There is only so much local money that can be generated to meet these needs.

As you well know, the most efficient method of generating public revenue is the Federal income tax system. Our cities have a very regressive system of collecting local revenues. In Alexandria alone we find that we have the most regressive tax system of all the jurisdictions in the area, and yet we're just using everything we can to continue to meet these problems in the hopes that we can get a more responsive Federal Government in the future.

The fact is that we do not have a spending problem; we have a budgeting problem. The issue is where do we fix our priorities. We're not going to go into, in this context, the disproportionate share going into defense expenditures and the like, but we appreciate what you are doing and we know that you recognize the continuing problem of hunger and the fact that it's getting worse every year. We stand ready to be as responsive as we can on any questions you may have as to how the cities feel in this area.

[The prepared statement of Mr. Moran appears at the conclusion of the hearing.]

Mr. OLIN. Thank you, Mr. Moran. I appreciate your being here today. I'm a part-time constituent of yours. As you know, I live in rental property in Alexandria. I'm not a taxpayer there, but maybe one of these days I might be.

Mr. MORAN. That's too much to ask, that you pay taxes. But we sure are honored that you're a citizen of Alexandria.

Mr. OLIN. I spend enough money there, though, so that probably helps.

Mr. MORAN. That's the spirit. We need those sales taxes.

Mr. OLIN. Miss Waxman, are you here as a witness, or are you supporting—

Ms. WAXMAN. I'm here with Mayor Moran. I'm with the U.S. Conference of Mayors.

Mr. OLIN. Do you have testimony?

Ms. WAXMAN. No, Mr. Chairman.

Mr. OLIN. OK.

I would like to call Mr. Grace next.

**STATEMENT OF TIM A. GRACE, DIRECTOR, FOOD STAMP
PROGRAM, ILLINOIS DEPARTMENT OF PUBLIC AID**

Mr. GRACE. Thank you very much, and good morning. I am pleased to have the opportunity to address the subcommittee.

I have a more detailed statement that I have prepared. It has been passed around. I would like to have that entered in the record, if possible.

Mr. OLIN. Your full statement will be in the record, so feel free to summarize any way you see fit.

Mr. GRACE. Thank you very much.

My name is Tim Grace and I am the Food Stamp Program director of the Illinois department of public aid. I am also the current president of the American Association of Food Stamp Directors. And while I am basically here on behalf of my boss, Director Gregory Coler of Illinois, I also have an obvious interest in the program and its operation from the national perspective with my current position as president of the American association. I hope my comments will reflect that particular position.

I am basically here to discuss the impact on State administration of the program of the recently passed Food Security Act of 1985 and the administration's fiscal year 1987 food stamp budget proposals.

First I would like to congratulate the subcommittee, the committee, Congress as a whole, and the President, for the direction of and what I think the ultimate result will be, of the Food Security Act of 1985. I have been a Food Stamp Program administrator in Illinois for 11 years now and I personally think I see more progress made toward program improvement in this legislation than I have seen since the 1977 act.

You could have easily backed down in many of these particular areas in the Food Security Act, but it was obvious that you looked at the program in total and its impact beyond some minor cost increase situations. I believe that these hard decisions will ultimately lead to a much improved program, and hopefully at less expense.

I am now going to discuss the referenced areas which I feel will have the most far reaching impact on our clients and on the State's individual abilities to administer the Food Stamp Program.

The first one, and probably the one I'm going to address most extensively, is the employment and training provisions of the Food Security Act. In late 1985, Governor Thompson of our State, and Director Coler, basically kicked off what we feel will be the largest and most successful welfare to work program in the Nation. We call that Project Chance because we like to think in terms of this particular project as giving clients not just a welfare check but a chance to make progress. We hope to put a minimum of 112,000 clients to work and off the welfare rolls over the next 3 years. This will be full-time employment we're looking at.

I mention this program basically because the State of Illinois, we, feel it will be the cornerstone basically of our food stamp efforts under the Food Security Act employment and training provisions.

Briefly, Project Chance is unlike any other welfare employment program because jobs are found first, clients to fit these particular jobs second, and then those clients go through the necessary train-

ing process to make them ready for those particular jobs which have already been found and promised by contract. The employers, the prospective employers, have signed contracts before we have gone to the training aspects for these clients, so that the jobs are assured available when the training is complete.

Through this process we feel we are forging a partnership between private employers in the State of Illinois and the State of Illinois. So you can have a real feel—and I think this is extremely pertinent after Robert Leard's testimony with regard to expenditures—so you can have a real feel for the real costs of such efforts. This being our first year in Project Chance, we are estimating right now that we anticipate to spend in the State of Illinois alone approximately \$35 million for the first year to get this program moving. That will include employer contracts, staffing costs, training for these particular clients, and administrative expenses.

Another special aspect of this program is that it will serve voluntary clients as well as mandatory work registrants. The largest of this volunteer group will be women with young children. It is felt that that group will be extremely employable as they are recently out of school and have not been on welfare long enough for it to become a way of life. This will include about 125,000 of those such individuals.

Project Chance requires maximum cooperation between the public and private sectors to provide educational and job-related support services, as well as full-time employment at the end of training. At the heart of our Project Chance effort is the need for both flexibility in program operation and direction, and an adequate funding base. The Food Security Act certainly gives us the flexibility needed to build our food stamp effort from Project Chance, while the funding provisions of the act itself seem to be somewhat minimal. The fiscal year 1987 proposals make even further cuts in that funding, while cutting back on the flexibility given to the States in the recent legislation.

Performance standards are necessary to assure that the States make honest efforts. However, tying them to mandatory client participation levels ignores the inherent differences in State needs. I'm afraid that mandatory participation levels will likely even turn a State's best efforts into nothing more than a search for numbers to satisfy mandated and often meaningless percentages.

The current act contains adequate checks and balances by requiring each State's plan to be approved by the Secretary. Related to this area, I also want to encourage you to support reauthorization of the targeted jobs tax credit bill, which expired in December 1985. This provides financial incentives to prospective employers and, without it, it will become increasingly difficult to find private business cooperation with the provision of jobs for our clients.

I only have a few more things to say. The next major issue is quality control. We at the State level do care about the accuracy of our program's operation. Oftentimes that is not the general consensus, but I can honestly tell you that, in 11 years, that is not the feel that I get from my peers.

Illinois has made considerable progress with much effort over the past several years. However, we have about reached a point where it is increasingly difficult to find major solutions which have any-

thing other than a minimal impact on our errors. We are still about to be sanctioned for approximately \$3 million. That is under the 7 percent tolerance of fiscal year 1984. The 5 percent tolerance of fiscal year 1985 appears just as a dream.

This is all under an administrative dollar sanction base. Under the fiscal year 1987 budget proposals, the sanction will be on a dollar-for-dollar basis. That figure in Illinois could easily go to around \$22 million. This would greatly impact our ability not only to adequately administer all of our programs, but it would likely cause reduced direct services and smaller AFDC payments.

The solution to the QC problem is not increased sanctions, but a continuation of the direction of the Food Security Act, a concentrated study of a QC system which can be defined as inadequate at best. Other solutions relate, I think, to increased program simplification—our food stamp simplified application demonstration project is one possibility—and further consolidation of eligibility criteria between the AFDC and Food Stamp Programs. We have worked on such a proposal and the results should be released soon.

My time is about gone, but I would like to lend my support to the continuation of the present administrative matching formulas which certainly allow States to work toward program improvements and the maintenance of the several eligibility enhancements which add that shot in the arm for the employed client. These issues are, of course, the 20-percent earned-income deduction, separate dependent care and shelter deductions, and the increase in asset levels.

Finally, you need to be aware of a recently received proposed rule which will cut the heart from the State's right to appeal sanction decisions, as well as eliminate any Washington base for arbitration of individual QC case decisions. I feel that this proposal moves opposite to the congressional intent expressed in the September 1985 House report on the farm bill, which gives States a complete administrative review mechanism for error case sanctions. This proposal eliminates the Appeal Board and makes the FNS regional offices the final authority on disputed error cases.

I would like to have all of my comments entered into the record. Thank you very much.

[The prepared statement of Mr. Grace appears at the conclusion of the hearing.]

Mr. OLIN. All of your written comments will be entered into the record.

Before we get into questions, I would like to put Mr. Knowles on the program, from South Carolina. Mr. Knowles.

STATEMENT OF WILLIAM J. KNOWLES, DIRECTOR, DEPARTMENT OF SOCIAL SERVICES, CHARLESTON COUNTY, SC, AND VICE CHAIR, SUBCOMMITTEE ON SOCIAL SERVICES, NATIONAL ASSOCIATION OF COUNTIES

Mr. KNOWLES. Thank you, sir. Mr. Chairman and members of the subcommittee, I am Bill Knowles, director of the department of social services in Charleston, SC, and vice chair of the National Association of Counties' Subcommittee on Social Services. On behalf of NACo, I thank you for the opportunity to testify.

I would like to enter this statement into the record.

Mr. OLIN. Your statement will be entered into the record.

Mr. KNOWLES. Thank you very much, sir.

I have some additional comments. When I received the invitation to come here, I got my staff together and asked them what they wanted to say in Congress in 5 minutes on the Food Stamp Program, so we got all kinds of comments and ideas. But when we flushed those things through and everything, we got down to some nitty-gritty ideas that I would like to pass on to you.

One of them has to do with the monthly reporting system. The staff and most of the local administrators that I have talked with throughout the country don't feel that the monthly reporting system really is cost effective. My particular group feels that, rather than having monthly reporting, we would rather have shorter certification periods of time, to bring the clients in and handle it that way. We think that would be a better product.

Right now it's a paper chase. All we're doing is just passing paper all throughout the system, and a lot of times the clients don't really understand what they're doing. They're just signing a document and sending it in. So we really don't feel that's effective.

The other thing that came out of the conversation with staff on this thing is staff attitude and how they perceive themselves and perceive the agency in their job and community. Your questions to Mr. Leard addressed this before and I thought I should mention this because it came out in my conversations with people.

They feel we're not a helping agency any more, that we're a bunch of auditors and checkers and investigators, and that we have guilty people coming into the system, and we have to find out where they're guilty. We know they're guilty. It's just an issue on our part to try to find out where they aren't giving us the whole story. That's the attitude that prevails in this whole system. I think that that's unfortunate, really. Those people out there need us and they need our help, and we place them in a catch-up situation.

All of us appreciate the area of fraud and quality control. Nobody is fighting that issue or anything like that. It's just that I think over the last few years the emphasis has been so placed on that that it has changed the whole perspective of what's going on out there. The end result is that people are not getting served.

Last month we had 900 applications in my county for food stamps. We approved 400 and disapproved 500. Now, in certain circles, those are great figures. But there is 500 people out there who, for one reason or another, came down to the welfare office for help but didn't receive anything, or were referred to some other organization that could help.

When we're talking about hunger, when we're talking about people needing help, they're out there and we're just not reaching them. I think that is an area that has to be addressed.

From a business standpoint—I'm an exaccountant and auditor before I got to be a welfare director 15 years ago, which is an odd mix, but with my relationship with the State and the Federal Government it works out pretty good. The whole concept of return on investment I don't think is ever taken into consideration when we implement different projects and different plans. The workfare and

work incentive concepts are great if you can reasonably expect to get something out of it. But if you're in a State like South Carolina, where we're closing textile mills right and left, and we have all kinds of people out on the streets looking for jobs—and we're swinging to a high tech area where so many of our people are not in that position to be able to be competitive in that role—we can't reasonably expect to gain anything out of that other than to hire a bunch of bureaucrats and run people through a whole rigmarole, with nothing coming out of the end. Those are concerns that we have.

Going back to the fraud question and the quality control, we detect fraud and fraud is a low priority in our court system. Nothing ever comes out of it. We spend thousands of hours and dollars and everything to detect fraud and we really don't get that many prosecutions for the amount of money that we put into it. So there, on a return-on-investment concept, you just wonder whether it's there.

And what are we talking about in fraud in this system? If we're talking 10 percent across the board in errors, that means 90 percent of everything is right. It just seems to me we're placing too much emphasis on the 10 percent and not enough on the total 100 percent that we're dealing with.

We generate reports on people who owe us money in the system, the exceptions that are taken—they're all billed into receivables. They've got these fantastic amounts of receivables booked on the books in the States, and I am sure up here to the Federal Government. You couldn't sell those receivables to anybody in the country. I mean, there doesn't seem to be any point in telling some poor person that hasn't got any money to begin with that they owe you \$2,000. You know you'll never collect it. But we keep feeding all that data into the system.

On workfare I have a particular bias. We always gear to put the people on welfare to work. Well, the person in my State that's on welfare or on food stamps, AFDC, or an unemployed mother, the father is out there someplace but we want to develop some sort of job to get that mother to work, put the child in day care, and the father is still walking around the streets someplace. It just seems to me that we ought to start concentrating more on the 4-D program and see if we can run down these people, these fathers, and put them to work. You can do more with them and the mother can stay home and nurture the child, which is a lot better than the public picking up the cost of all that.

On the sanction, like Tim was saying, the bottom line in sanctions is the clients are going to pay for it. In South Carolina, if the Federal Government sanctions us \$3, \$5, or \$10 million, that is going to come out of AFDC, Medicaid, or the block grant service funds. There's just no other way it can happen. We're in competition with the education system down there for the dollars; we're in competition with the prisons. They are not going to shift that cost and they're not going to eat that cost. We're going to have to eat that cost out of our social service appropriation. That will be passed on, with no cost-of-living increases for AFDC caseloads, a lack of day care and so on.

In Charleston, I have a very aggressive mayor, Joe Riley, who is very supportive of our programs and has been very active in the food and shelter programs. We have been able to shift most of that on to the private sector, to ministerial associations, and so forth. Of course, the emergency food thing has helped run those things and support those areas.

Just recently the mayor and I were able to negotiate with the State a contract where we have the fire departments in Charleston issuing food stamps.

Mr. OLIN. That's interesting.

Mr. KNOWLES. Fire stations in every community in the area—we're only in five now, but we hope to get into all the others. They are computerized and hooked right up into the mainframe of the State system. We have been in it 2 months now and we're hoping that's going to be an innovative project that will work out. It's an example where all levels of government are working together.

That is my statement, sir. I would be glad to answer any questions.

[The prepared statement of Mr. Knowles appears at the conclusion of the hearing.]

Mr. OLIN. Fine. Thank you very much, Mr. Knowles. Let me ask a few questions, and then we will get on with the other witnesses.

I was quite interested in what Mr. Grace had to say with regard to job training and the ideas of the Department on that. I think you hit the nail right on the head, that job search doesn't create a job. The job is created by a business or somebody else who sees an opportunity to make a contribution. The job comes from an employer. Your idea of finding the jobs first and then training somebody specifically for that job really is right on the mark. It does indicate that if the emphasis is in that area and not on some kind of artificial recordkeeping of how many people might be searching through the want ads. You're more on the mark.

Let me ask you, Mr. Grace, on that to clarify my thinking. How do you tie this Project Chance Program in with food stamps or other feeding programs? How are you sure that people are getting the benefit of the job opportunities?

Mr. GRACE. It's going to actually be the reverse of that, sir. That's the fact that we'll be tying, of course, the food stamp employment and training provisions to project chance which was established prior to and not directly related to the Food Security Act.

But as far as tying it, we are just now sitting down by committee within our agency and working on the legislation prior to seeing the regulations, of course, which Mr. Leard indicated will be out—

Mr. OLIN. You'll tie food stamps into an already ongoing program.

Mr. GRACE. Yes, and the provisions within the Food Security Act allow that. The flexibility in the Food Security Act allows a State to tie their efforts to already existing efforts, of which project chance is going to be.

One additional point I wanted to make with regard to your lead-in statements there was the concept of project chance, I believe, while we think we have a novel approach, I'm certainly not going to say there are not other realistic novel approaches in other

States. I think that gets to the core of the concerns that we have, and that's flexibility of the program. The current Food Security Act allows a State to determine the best approach in their particular, based on their particular employment situation or unemployment situation in their State. That's why we feel it really falls within the concept of the Food Security Act, by allowing the State the flexibility to—

Mr. OLIN. I appreciate that.

Now, let's get around to the case I was trying to make with Mr. Leard, that the Department really is not getting much feedback or not listening to the feedback. Could you three gentlemen give me some idea of what contact you have had with either the people in Washington or the regional people with regard to items like—I'll just take the job training question, with the ideas of the Department, and ideas about quality control, ideas about the monthly reporting and so on. Have you been contacted by anybody from the Federal Food Stamp Program to receive ideas that you have and which they might incorporate in their suggestions?

Maybe we'll start with Mr. Knowles on that.

Mr. KNOWLES. Yes, sir. I have actually sat down with Mr. Leard up here at the offices of the American Public Welfare Association, at a meeting of the local county administrators. Of course, he was a guest there and he was presenting his positions and so forth. About a dozen local administrators were there and brought up various issues to him. So in all fairness, I must say that opportunity did present itself and we did bring up different issues.

Mr. OLIN. Have you found the Department listened and actually ever acted on your ideas?

Mr. KNOWLES. Not that I'm aware of, sir.

Mr. OLIN. Mr. Grace.

Mr. GRACE. I have to echo the particular statement of Mr. Knowles, for the fact that in my 11 years with the Food Stamp Program in the State of Illinois, and now as president of the American Association, and also being tied to several national task forces and very closely associated with APWA and its national Food Stamp Committee, I have had many, many opportunities to meet with Mr. Leard and Mr. Bode and other members of both their administrative staff and policy-writing staff on many, many issues over the years. So we have had plenty of input.

One of the things our national association has prided itself on is the fact that we have always tried to work as closely as a symbiotic type of relationship with USDA, and each year when we have our annual conference we always invite as many members of USDA, both from Washington and the regional offices, as we can get. They usually come out and participate in our workshops, et cetera. This was one of the things that we felt we should continually strive for, working with that particular organization.

Mr. OLIN. With regard to the job search question and the job of getting people to work, have you found the Department in any way responsive to your ideas—you personally, and your association?

Mr. GRACE. Recently, over the last year or two, it seems like there has been some difficulty in seeing eye to eye between our national association and the U.S. Department of Agriculture. For ex-

actly what reason, I'm not sure. But we continue to strive for that cooperative type of arrangement, yes.

Mr. OLIN. That's helpful.

I don't know whether the real power behind the throne is the OMB here, or whether it's the Secretary of Agriculture. I suspect the former. That could be the problem, I don't know.

Mr. Moran, do you have any comments on that score?

Mr. MORAN. Well, of course, the cities don't administer the Food Stamp Program, but I wish that some of those writing policy would spend a day or two in the local welfare office and see who it is that is coming for assistance. I was particularly struck by Mr. Knowles' comment that more than half of the people coming for assistance were turned down, and I'm sure many of them on issues that have more to do with paperwork and recordkeeping than real eligibility. Most people that look for assistance need it and are not trying to use the system. This additional requirement just runs counter to what we know is the need that exists in the cities.

It's punitive. I'm glad Mr. Knowles struck on that note. The whole thrust behind these regulations is punitive. They are not programs designed to help people or enable them to become self-sufficient. There's a built-in assumption that they are trying to steal something from the Government office that is there with those programs.

Mr. OLIN. Can I follow that up with another question, if you don't mind me interrupting. I'm going to have to go here in a few minutes.

On the question of the sanctions, the quality control and the question of errors that are made, the Department basically takes the position that the States need a strong negative incentive to—whatever you want to call it—a monetary incentive, a penalty, in order to get them motivated to try to avoid having errors, and that those penalties will cause them to improve their results. You basically all are saying that you're not going to improve the results that way. I don't know whether these things can ever be done as perfectly as the Department wants.

But what do you say are the tangible incentives other than what the Department has talked about that are causing you or would cause you, even in the absence of sanctions, to do the best kind of a job that anybody could ever expect you to do? Maybe just a short comment from each of you on that, principally the ones who really work in this field. Mr. Knowles.

Mr. KNOWLES. Sir, 25 percent of the errors are agency errors; 75 percent are client errors.

Mr. OLIN. The client tells you something that is not correct.

Mr. KNOWLES. Yes, we don't know and so forth. All that is built in. And then, on top of that, you have to consider that our clients are desperate people. People don't come to us unless they're desperate. Whether they're going to tell us everything we need to know, or whether they know that they're not telling us everything, because the system is so complex and so involved, because we're dealing with all the elements of dependency, all the elements of income, all the elements of expense, and whether we can realistically expect to get everything in a perfect world type of environ-

ment that the administration is asking for, it is awful difficult from our perspective.

Mr. OLIN. What is your incentive to do the best possible job?

Mr. KNOWLES. Well, I think the incentive is we need—we certainly don't need less administrative support, less administrative dollars, less computerization. We need more of that in order to take as much of that out of that realm of the individual and put it into a mechanization process to come up with a better product, in my judgment.

Mr. OLIN. Mr. Grace.

Mr. GRACE. In answer to the last part of the question, as far as incentive goes, I feel, as a professional of 20 years in our particular agency, having worked very closely with not only the majority of administrative staff in our agency for many years but the administrative staffs of other agencies, that a basic incentive—and this may sound a little trite—is the fact that we are professionals. We, like professionals in any other business, try to do as good a job as we possibly can. I think sometimes that's an oversight by outside individuals, who feel that we're trying to get away with things rather than trying to run things correctly.

I personally would feel, and have felt for many years, that if the energies that are at times directed toward holding the axe over the State's head were directed in areas based on suggestions from State people who have the experience, such as myself and many others, that those particular energies be placed into other areas, the same results could basically come about.

I just briefly mentioned the food simplification project that our particular State ran for a 15-month period of time, which just in that small period of time cut the food stamp error rate in half. It was dropped after 15 months and we tried to get it reauthorized and it was gone. Now there is a provision in the Food Security Act that is going to at least allow us to take another shot at that concept.

I am a little concerned with the language, as I have seen it so far, in the legislation, and I hope this will not end up being a catch-22. But that is a direction, at least, basic simplification across the board with regard to increased consistency, with food stamp eligibility criteria, and the AFDC Program. We're working on a project which will go national soon in that particular area.

I think there are other directions, other than the axe of Federal sanctions. I really do.

Mr. OLIN. Fine. Those are very good comments. I tend to agree with you.

We have heard many, many times here that if the Federal Government would stop changing the program; keep the rules the same; eliminate the excess defensive paperwork; that the professionals in the field would continue to make gradual improvement and we would be far better ahead, and it wouldn't cost us as much money.

I appreciate the testimony of all of you. I will now turn the Chair over to the regular chairman and let him take over.

Mr. PANETTA. Thank you, Jim.

I appreciate all of you taking the time to come and present your testimony. I looked over your testimony and it has presented pretty much what I anticipate would be the case.

Let me ask you: In terms of the present situation that you see out there in your respective areas when it comes to the hunger issue, what are you seeing? Is the problem getting worse? Is it stabilized? Is it leveling off? Do you see a continuing problem?

Give me your best analysis of what you are seeing in your respective areas right now when it comes to the hunger issue.

Mr. KNOWLES. In Charleston, SC, I personally feel that it is stabilized, that we are taking care of the people who—I guess when you say hungary, you know, I have problems. We are taking care of people; people are going to the kitchens, they are available there. We have met that need.

I am having problems with the commodity distribution. I distributed it twice last year, and we are only going to do it twice or three times this year simply because there is not enough money, administrative money, in our State. The county has got to foot the bill upfront and then we have to fight with the State to get the money. They can't get it down from the Federal Government, so it places us in a catchup type of situation.

Mr. PANETTA. I understand those problems. What I am basically referring to is what you are seeing in soup kitchens, food pantries, et cetera.

Are you seeing numbers that are continuing to increase? Has it stabilized?

Mr. KNOWLES. I feel, sir, that it has stabilized.

Mr. PANETTA. Mr. Grace.

Mr. GRACE. In the State of Illinois, it is difficult for me to make a flat statement as to whether it is getting worse or better for the fact that I will have to reluctantly admit, even though I have been with the program for 11 years, this is an issue of hunger, basically, which has just recently come out of the closet, I think. I had not been aware of major hunger studies in the past, even though some had been done—but this had not been thrown in front of the public view, I don't believe.

Since it has come out, since we have had the recent ad council campaign—the concept of the physicians task force on hunger, Dr. Larry Brown, of Harvard University; the upcoming Hands Across America concept, which is really putting it before the public eye. We have had an opportunity in Illinois to step back and see, and hear, and listen, basically. It sounds as if, based on what I am hearing from the soup kitchens throughout our State—primarily in Chicago—the numbers are ever increasing.

I get more letters now than ever before as the State food stamp director, saying, what has happened? How come the program is not more available to others? Our commodities are not adequate any longer to take care of the people that come into our kitchens, et cetera.

I think the one definite statement I can make on that is there is little question in my mind anymore that, at least as far as the State of Illinois goes, and based on what I hear from other States, there definitely is a hunger problem in the United States.

Mr. MORAN. Mr. Chairman, in the report, the survey, that was done by the Conference of Mayors, of the 25 major cities that were surveyed, the emergency food assistance requests had gone up an average of 30 percent from 1984 to 1985; 17 percent of the need was going unmet. Two out of three cities said they were turning away people from emergency food assistance facilities because of a lack of resources. Nearly all of the cities also said that they expect that that demand is going to increase in 1986 over 1985.

I think a point to be made here is that the problem of hunger doesn't exist by itself, that it is very much a component part of the housing problem. That is why we mentioned in our statement the fact that housing assistance funds have been virtually eliminated in many cities. In our city, they are down 80 percent from where they were in 1980.

If a person doesn't have section 8 and is having to pay 40 to 45 percent of their income for housing, then they don't have the money for food. One affects the other. That is why these other aspects of the administration's budget reductions have a very profound effect on this very problem.

Mr. PANETTA. If there were a single item that we were able to address and get passed this year that in terms of dealing with the hunger issue—assuming we can get a bill; and I don't make that commitment, although I always find that the best defense is a good offense in this business—so what I would like to do is to try to get from you what would be one area that in addition to the elements we were able to include in the Food Security Act, what would be the one area that you feel we ought to address if we have the opportunity to put another hunger relief bill through?

Mr. KNOWLES. I guess from my point of view it would be the commodity distribution that we are talking about—getting food to people, hard core hunger.

Mr. PANETTA. Mr. Grace.

Mr. GRACE. Weighing together the currently existing welfare programs within the State—the AFDC, Medicaid, and Food Stamp Program.

Mr. PANETTA. Good point.

Mr. MORAN. It would be sustaining what you accomplish through the Food Security Act of 1985. We think in the cities the Food Stamp Program is your basic underlying program—enhancement of that program is where it is at; you meet the most people's needs through that program.

Mr. PANETTA. Thank you all very much. We really appreciate your taking the time to give us that guidance.

Let me call up the following individuals, and if they could all take their place at the witness table, then I would like to try to deal with it as a panel, if possible.

Gloria Mercier, who is nutrition director, Shelby County Health Department in Memphis, TN. She would be accompanied by Eleanor Josaitis, who is executive director of Focus: HOPE; Robert Fersh, executive director of Food Research and Action Center, Washington, DC; Mr. Bard Shollenberger, who is policy analyst with Bread for the World in Washington, DC, and Janis Rhoads, who is president of the Southeastern Idaho Community Action Agency, from Pocatello, ID.

I am going to ask Ms. Mercier and Eleanor Josaitis if they could proceed first because I know that they have other commitments. I want to thank you for taking the time to come. Obviously, you have the opportunity to see Focus: HOPE directly and without question, it is one of the finest programs I have seen. It tries to implement the nutrition process with the job training process, and that is something we really need to emphasize throughout the country.

Ms. Mercier, if you would proceed first.

**STATEMENT OF GLORIA MERCIER, CHIEF, NUTRITION SERVICES,
WIC AND CSFP PROGRAMS, SHELBY COUNTY, MEMPHIS, TN**

Ms. MERCIER. I am Gloria Mercier, a registered dietician, chief of nutrition services for the WIC and the commodity programs in Shelby County, Memphis, TN.

I am a southerner. I have been in west Tennessee all of my life. I intend to remain in Tennessee for the rest of the years.

I am primarily concerned with programs and program work. I am concerned with the nutritional needs for our most vulnerable citizens. The citizens include the poor, the elderly, the young, the malnourished, the sick, the homeless, and the farmer.

The commodity program in Shelby County, TN, presently consists of a 13,200 caseload for pregnant women, infants, and children. Over half of our caseload serve siblings of teenage mothers.

The food packages consist of iron-rich foods and protein-rich foods. We serve these food packages at the lowest cost of any food program in existence.

The packages include peanut butter, nonfat dry milk, canned meat, poultry, canned fruit, dried eggs, rice, fruit juice, cereal, infant formula, infant cereal, and beans.

We submitted a grant proposal for the Elderly Feeding Pilot Project in 1982, but was refused. Hopefully, in 1986-87, this will not be the case.

With what I heard today, and the budget constraints, this is going to hinder expansion for our programs. This disturbs me. We have been waiting for going on 4 years for a program like the program in Michigan, Iowa, and other places. I cannot understand with Tennessee, and with Memphis bordering Fayette County, which is the poorest county in the United States, and bordering Mississippi, which sends us over their poorest coming for the goose that laid the golden egg, and failing to receive that. Like next to Arkansas, getting our poor to move over into Tennessee, and we cannot say, don't come. They become residents, because we do have better medical facilities; we do have hospital resources there.

I can't see why we can't expand the program. I submitted a grant—and I have a copy here, and hopefully you will maintain a copy to see how well written it was. It did include the per capita income which relates very closely to that of Puerto Rico—5,000 in 1977. It showed that we had over 102,366 population over 60, and over half of these people would have qualified for a program—an elderly program then.

The situation is worse. We have had all of our staff at the Memphis, Shelby County Health Department to go out into the commu-

nities and to explore what is there. It is not a pretty picture. I really offer firsthand information—I am out there. I know what is going on. I have statistics that will reflect that if we were granted an allowance to start up a program, we could start within this month, with 1,500 caseloads, without any problem.

We can afford the program. We offer facilities. We have a commodity program that has existed since 1969, so that is not a problem with us. But we cannot understand why we have been refused. If a pilot program works in Detroit, most certainly it would work in Tennessee. Just based on looking at television and knowing a little bit of your history, you could tell where you still have poor people, and you will always have them.

I hope I have included everything that I should. I will allow some time for questions. I know that time is a factor.

Mr. PANETTA. Thank you very much.

[The prepared statement of Ms. Mercier appears at the conclusion of the hearing.]

Mr. PANETTA. I am going to have Ms. Josaitis go ahead and speak and then I will try to get some questions to both of you and then you can be excused.

**STATEMENT OF ELEANOR JOSAITIS, EXECUTIVE DIRECTOR,
FOCUS: HOPE, DETROIT, MI**

Ms. JOSAITIS. Congressman Panetta, we really want to thank you for holding a hearing in the city of Detroit and for the time that you spent at our food program, because you were most gracious in listening to the folks and hearing what they had to say, and watching how the program operates. We came away with the feeling that you genuinely cared about what was going on and how the program worked.

I was also very grateful for the letter that Congressman Emerson sent—and the fact that he could not attend—but I appreciate his concern on it.

What I want to do today is just reiterate things that you have heard over and over again, and to submit this list, if I may, for your committee, of the senior citizens that are on the waiting list—because Mr. Emerson asked Mr. Leard what he intended to do about the program, and the answer was they intended to do nothing about the senior program and hoped that it would be discontinued.

Now, at the same time, the statement was made at this table that the Department of Agriculture wants to see programs run that provide food to proper people, and run efficiently. I think that you know yourself, sir, that the Commodity Supplemental Food Program, from seeing it in Detroit, runs efficiently and effectively. And that we have repeated over and over again that we can feed three times as many people for one tax dollar by using this system. We would be more than happy to continue to share that kind of data and information with any members of the committee.

Now, I know that also the committee that you chair on the Domestic Task Force on Hunger is also holding a hearing next week—and I will not be in town.

But, again, I would like to offer this waiting list of 16,001 senior citizens who have called and asked for food, and have been placed on this waiting list. I would like to offer that to the Task Force.

I would also like to offer a video tape for the use of the Task Force and your committee here, that describes how the program for the mothers, children, and the elderly work, and what the effectiveness is of it.

Again, sir, I thank you kindly for your interest and concern.

I appreciated the comments that were made by Mr. Olin about how my job is to make other people's job work well. I can tell you, sir, that that is not always the case with the Department of Agriculture. There is nothing better that Father Cunningham and myself would share our knowledge of running food programs for the last 16 years, and for running the pilot program with the seniors—we would go tomorrow to the Department of Agriculture and spend as much time as necessary to write guidelines so that Tennessee and the other States across this country that want a program for the elderly could have it.

So I say, accept our invitation. And thank you for allowing me to be here this morning.

[The list and video tape are held in the subcommittee file.]

Mr. PANETTA. Obviously, I appreciate your words and your taking the time to come here. I am afraid one of the only ways we may have to do that is through legislation that says if Eleanor Josaitis and Father Cunningham must proceed to each area, provide them with guidance, on how to run Focus: HOPE. Maybe that way we can get it done. Although I am sure we then face a proposal next year to get rid of you. But at least we make the effort. [Laughter.]

Anybody who sees that project there, and sees how it operates, and talks to the people there, and what is happening—as I have said, and I have said to both of you personally, it is just an excellent example of how the program ought be run. The problems you are incurring, and what you are seeing—sharing that with other areas, I think just would be very helpful in terms of making this program operate.

Let me ask Ms. Mercier: At the present time, how many people do you serve?

Ms. MERCIER. We serve 13,200 caseload on the commodity program.

Mr. PANETTA. 13,200?

Ms. MERCIER. Right.

Mr. PANETTA. What is your waiting list like?

Ms. MERCIER. My waiting list is not as, I guess, vivid, or as much as it would be if we didn't have the WIC Program. I have two programs. I don't deny anyone, but I still have caseloads of people there to get on programs. So they come on, they come off. We alternate and we use the commodity and the WIC programs. I could very easily include the commodity program for the elderly within our system if we were allowed the opportunity. We have asked for it for years, ever since it started.

Mr. PANETTA. You are serving about 13,000 now, is that what you said?

Ms. MERCIER. 13,000.

Mr. PANETTA. If you were able to get the additional funds that you are asking for, do you have any estimate about how many additional people you would be serving?

Ms. MERCIER. I would say that we would like to serve about 2,000.

Mr. PANETTA. In addition?

Ms. MERCIER. Yes, in addition.

Mr. PANETTA. I see.

Ms. MERCIER. And what I would do is I would probably put more on the WIC Program and provide services for the elderly. We have found that we do have a big problem with our elderly in Memphis, because these people get very few benefits. They are not retirees from factories, but just sharecroppers and people that have had minimum wage jobs. So, it is a great hardship on them to try and make it on that income. I don't think they realize that in making plans and planning for the future.

Mr. PANETTA. Ms. Josaitis, I am always amazed by that waiting list. You say there's about how many, 16,000?

Ms. JOSAITIS. And one.

Mr. PANETTA. And one.

Ms. JOSAITIS. 16,001, as of last night, and that's more. When you were in the city of Detroit, it was 14,000.

Mr. PANETTA. I was going to say, if it had increased, and it has increased.

Ms. JOSAITIS. Yes, it has.

Mr. PANETTA. I know the answer to the question but I think it would be important for you to share the fact of how do you fill—I mean, how are you able to bring people onto the program at the present time?

Ms. JOSAITIS. We are providing food to 7,500 elderly right now, and about 43,000 mothers and children. When an elderly person dies, or wins the lottery and lives happily forever after, we go to this waiting list and pick the oldest person with the least amount of income, and then add them to the food that we provide monthly.

Oftentimes, Congressman, it has happened to us more times than I care to recall, when we will go, we will be told, sorry, he or she is dead. That is a reality. These are old people. Some of them are 82, 83. The oldest was a 101-year-old man. We were so ashamed of the fact that he was on the waiting list that we lied—sue me—put him on.

Mr. PANETTA. With the waiting list at 16,001—good Lord, by the time they are able to get on the program, they have got to be 95. And essentially what you do, is you wait for somebody to die, or as you said, to win the lottery, in order to fill that vacancy.

Ms. JOSAITIS. Right. See, the Food Security Act gave us permission and gave us the law to interchange this program so that if the economy gets better, and mothers and children go off the program—as we hope they do—then we would add a senior; not to take any mothers and children off, but just to balance it as much as possible. But the Department has not allowed us to do that.

Mr. PANETTA. As you know, I think the proposal of the administration is that as these people die, you will lose those slots.

Ms. JOSAITIS. That is exactly right, that is right. I am sure that is not going to happen. I don't think we will allow that to happen.

Mr. PANETTA. If it does, then we could make another rule for Congressmen, that when they die their slot goes away, too.

It is just not the way to do business with people who are hungry.

Ms. JOSAITIS. Of course not.

Mr. PANETTA. Thank you both very much for taking the time. I know you have elsewhere to go for the Appropriations Committee, and I really do thank you both for taking the time to come before the subcommittee.

Ms. JOSAITIS. Thank you, sir.

Ms. MERCIER. Thank you.

Mr. PANETTA. Now, as the Speaker says when he introduces the President, I have the high honor and privilege of introducing a former staff director who created all this trouble. [Laughter.]

Actually, Rob Fersh, as staff director of the subcommittee, we really owe him a great deal in terms of the work that has been done by the subcommittee, and by the Congress, in trying to address some of the concerns that have been presented here. I think not only the subcommittee but the Congress and the country owe him a great deal of credit for what he has done.

Instead of going to a high-paying job on Wall Street—and I sure hope you don't write a nasty book about your former boss—Rob has gone to work, as he should, really, with Food Research and Action Center. We are proud of that fact. So, Rob, nice to have you back on that side of the table. You may proceed.

STATEMENT OF ROBERT J. FERSH, EXECUTIVE DIRECTOR, FOOD RESEARCH AND ACTION CENTER

Mr. FERSH. Thank you, Mr. Chairman, for your gracious and generous introduction. I am sure you will find it a relief that I intend to summarize my statement. I would ask that the entire statement and the attachment be included in the record.

Mr. PANETTA. Without objection, it will be so ordered.

Mr. FERSH. Mr. Chairman, this subcommittee, I believe, has established itself as the center of not only concern, but more importantly, action on the domestic hunger issue over the past few years.

We at FRAC applaud your efforts and exhort you to do even more. We would like you to know that we at FRAC stand ready to be a resource and ally in your efforts.

The main purpose of today's hearing is to review the administration's budget for fiscal 1987. The core of this budget is to repeal the positive changes that were included in the farm bill. Of course, there are many other proposals that would have an adverse effect on low-income people. By way of summary, we would urge you to reject the President's budget for fiscal year 1987.

I think it is real important to put into context what the changes were that Congress enacted last year. I think you should feel tremendously proud and confident that the changes that were made were very worthwhile, they are justified by sound social policy, and they are targeted on those who really need the assistance.

Just let me give you a few facts to justify that statement.

First, CBO estimated that the cost of the food stamp title of the Food Security Act was only about \$100 million a year—less than 1 percent of program expenditures. This is certainly far less than the

\$1 to \$2 billion a year that were cut from the Food Stamp Program in the 1981-82 period.

Furthermore, the cost of the food stamp title was also only one-third of the cost of H.R. 5151, which passed the House in 1984 by a 364-to-39 bipartisan vote. So you are talking about only a small piece of what received tremendous bipartisan support in this House 2 years ago.

I think the last piece that I would emphasize is that the cost of the food stamp title, although the precise provisions vary, was almost exactly the same cost of what the President's Task Force on Food Assistance recommended on food stamps. The net cost of the President's Task Force was about the same as the food stamp title. So you are not talking about dramatic wasteful types of expenditures, which I think the administration's testimony earlier today might lead you to believe.

I think the other important thing is to know that the benefits are well targeted. We are servicing, through the Food Security Act, the working poor. I do provide on page 4 some, I think, very strong statistics about what a tremendous growth there has been in the numbers of working poor people in this country—people who work full time, yet, are poor. And there are 2.5 million children who are in families in that situation.

These working poor people were very hard hit by budget cuts in 1981 and 1982; the tax burden they now have—which, hopefully, the tax reform bill this year will relieve, but nobody knows if that will happen—the tax burden they now have is up dramatically since the late 1970's. So, these people need not only work incentives, but they need some relief. That is why the proposals to increase the earned income deduction from 18 to 20 percent; establish a separate child care deduction; to loosen the asset limitations—as you pointed out in a way less liberal than what the President's own task force recommended.

All of these changes are well targeted and designed to serve people who really do need the help.

One quick aside in light of some earlier statistics that USDA presented. First, I would point out that although they estimate average earning expenses to be 16 percent—several years ago, CBO did an analysis that showed the expenses to be much higher. I would suggest that another source of information on this might be appropriate.

But there is another more important point, and that is: Who said that this deduction has to be set at average expenses? That means that a large percentage of people won't have their expenses covered by this deduction. It was set up originally as a percentage in order to save administrative costs. In my view, it should still cover the work-related expenses of most people, otherwise, working poor people are being penalized.

Now, I think the separate child care deductions especially important to working poor women, single-parent families, and I do provide some additional statistics on page 5 about how dire the circumstances are for people who live in single-parent families in this country.

So in summary, the formula had modest but important and warranted changes—they were wise policy choices. And one other im-

portant fact that we now know based on the administration's testimony last week, is that contrary to what has been said on the Senate side recently, there is no need for a food stamp supplemental this year in order to pay for those increases.

There are many other proposals that the administration has put forward that I think should go nowhere. I will not lead you through in great detail. Certainly, an increase for Puerto Rico is well overdue. I would suggest, since the administration unveiled today for the first time, that they are going to pursue the block grant proposal again—I think the Puerto Rico example is instructive for anybody, about what will happen if you block grant the Food Stamp Program. Puerto Rico was cut an estimated 25 percent in 1981. They have been frozen since then, and now the administration would freeze them indefinitely. So I think this deduction of States that is going on now to put them in a block grant—States ought to be put on notice that this is how they will be treated, or may well be treated, if in fact the block grant ever does get enacted.

Let me move on to one area that I think is of critical important, that is the error rate sanction system—the increase in sanctions. You may ask why is a group like FRAC concerned about such sanctions.

Our concern is twofold. First, is that inevitably if States have to pay higher sanctions, money will come out of human service budgets to pay for it. I don't have any question that although it won't come directly out of food stamp benefits, it will probably come out of either AFDC, or social services or Medicaid. Furthermore it may well come out of administrative resources in the Food Stamp Program. Maybe there will be fewer case workers to serve the needy, and that is very important, because my next point will lay out I think the level of service now being provided in the Food Stamp Program is one of grave concern.

I believe that the implementation of higher sanctions on the Food Stamp Program, combined with other administrative practices like monthly reporting, are probably leading to lower participation rates and denials, or delays in benefits for people.

The Select Committee on Hunger came across this, Mr. Chairman, in Mississippi, in 1984, and there were a lot of reports since then about how when in doubt, delays and benefits, and sometimes denials are occurring.

I think the gentleman from Charleston, SC, just a few minutes ago, confirmed that that is often the case.

I would like to move on to page 9 of my testimony and just give you a couple of excerpts that we received recently over the phone from a food stamp official with 14 years experience in a Southern State. This is what she said in relation to the increasing Federal administrative requirements. She said, in reference to food stamps,

It started off being a very simple procedure, now it is so utterly cumbersome and complex, they have made it such a mess of paper work, they have made it harder and harder to do our jobs. Since 1980, I would venture to say our paper work has tripled. There are plenty of people who need food stamps, and we get to a lot of them, but it is getting harder and harder. The system is concentrating on processing paper—to helping people. All the paper work causes delays. We know that. We see that. We continually hear that county offices are behind and overworked. The vast

majority of the increased caseloads and extra paper work have made the 30-day standard of promptness a real challenge.

So this is a very serious concern, Mr. Chairman, and it is backed up by statistics. Last year, the Urban Institute, in a study that was commissioned by USDA, mandated by Congress, reported that the Food Stamp Program in 1983 had 600,000 fewer participants than they could account for by looking at demographics, unemployment, and the policy changes that Congress had enacted. Even now the Food Stamp Program is at historically low levels, given the rates of unemployment, and the rates of poverty in this country.

I would suggest that what Mr. Leard said this morning thus becomes a little more understandable. Food stamp participation is down, but we are not certain that is because all the people that are eligible are getting served. I would suggest that this is an area that requires urgent oversight by the subcommittee.

Let me just throw in one other quick point about quality control, and that is I would like to second what was said earlier about the March 21 regulations that came out. I think the whole potential for having inconsistent application of sanctions to States and those regulations do run contrary to explicit legislative history that was included in the House Committee Report.

In the area and employment and training, I think that area, Mr. Chairman, you hit very well yourself. I would just add a couple of other observations. GAO, last year, analyzed almost the exact same proposal the administration put forth to the AFDC program. They basically found there was no justification for that approach. They raised concerns that it might even be counterproductive, that is, to add to requirements and cut the funding.

Furthermore, as you point out, it doesn't make sense, especially for an administration that believes we ought to block grant the entire Food Stamp Program for State flexibility; to establish the same employment standards from State to State. This is a fear that groups like FRAC have. We are a grass roots network all around the country to give us continuing reports on this issue. What will emerge is simply a paper work process, that State and local administrators will engage in simply enforcing perfunctory work requirements that really won't make a difference in people's lives.

What the research indicates—the new Manpower Development Research Corp. research indicates—is that the people who are the hardest to employ are the ones who can be helped the most. I would suggest that given limited resources, we not engage in that paper work enforcement process that the administration proposes, but instead, try to target our resources on those who are the hardest to employ.

There are many other areas that I won't go into detail. Obviously, the TEFAP issue is very important. I think it is very important for the public and the Congress to know better exactly how USDA reaches its decisions as to what levels of commodities are provided and what pressures that can be brought to bear when they make a decision to cut back cheese distribution. Obviously, the provision of administrative funding is critically important.

Other witnesses have covered the fact that USDA is basically trying to circumvent the intent of the recent Food Security Act on

the CSFP program. It is extremely important that this subcommittee exercise oversight on that issue.

One program that has not yet been mentioned but I know it is of importance to you, Mr. Chairman, is EFNEP—the Expanded Food and Nutrition Education Program. Once again, the administration seeks to pretty much zero out that program—and that would be certainly shortsighted.

Mr. Chairman, at some points in the past you have indicated that you may well introduce additional legislation to address the domestic hunger issue. We encourage you strongly to do so. There is an unfinished agenda. There is much more that Federal food programs can do.

I believe that they cannot solve the entire issue of hunger in America. I really do believe that. There are some gaps that Federal programs can't meet. But I also think that there is potential for us to do more that is reasonable; that fits well within the purposes of the Food Stamp Program.

I would also urge that you carefully look at the issue of students, as Mr. Morrison pointed out. We really do have a terrible situation where we have a growing underclass in this country—and we should be bending over backwards in order to try to get people to stay in school. We can even have people in the Food Stamp Program now who work full time, at the minimum wage, living well below poverty, and they are getting food stamps—and that they want to enroll in school at night, and pay for it out of their own earnings. They can't even get a deduction for anything. So they face a choice—some of them—between going to school and eating. Of course, for the most part, they opt for eating. I would encourage you very much to include a piece on students if, indeed, you do put forward legislation.

I would like to conclude by just sharing briefly with you a little bit of my own personal experience over the last 18 months.

For the past 18 months, I have served as a volunteer at a soup kitchen in Silver Spring. And for the last 6 months, I have served on that soup kitchen's board of directors. The Shepherd's Table is a soup kitchen. It is in Montgomery County, one of the most affluent counties in the country. When it opened initially in December 1983, it served about 30 people a night. Now it serves about 100 people a night. In all honesty, I don't know if that increase is due simply because hunger has increased, or it probably is because the program is better known.

But I want to dispel some doubts anyone might have about who it is that comes in for assistance—if this program truly serves the truly needy.

In September 1984 a survey of 24 of the 50 guests at the Shepherd's Table, 13 of the 24 reported having only one meal a day—and I am now on page 20 of my testimony—12 had eaten no food for over 3 days in a row; 17 had lost weight in the previous month without trying.

I have additional statistics from a more scientific survey of the Shepherd's Table performed last August that I have attached to my testimony. Among those statistics is that 75 percent of the participants have incomes below \$200 a month. What I wanted to use this example for is for just a few conclusions.

What I have learned from involvement with the Shepherd's Table is that Federal food programs alone cannot end hunger in America. Some of the soup kitchen participants simply are not capable of dealing with the welfare bureaucracy even with help from supportive staff and volunteers. It is just over their heads.

What I have also learned from the Shepherd's Table experience is that anyone who thinks that the private voluntary sector can or should play an increasing role in fighting hunger or can substitute for Government programs, has wholly unrealistic expectations.

Serving about 100 meals a night, 7 nights a week, is an enormous undertaking. It is incredible how much effort goes in just to feed 100 people a night. The Shepherd's Table recently increased its paid staff from two to four people. Over 400 volunteers a month, 10 to 15 people a night, are utilized to serve and prepare meals, and they must be coordinated. Food must be ordered and stored, and so on. It is just a tremendous undertaking.

Then the board, in the last 6 months alone, has faced the following issues: Several board members say they are totally burned out. They spend 20 hours a week or more of their own time trying to run this soup kitchen.

Neighbors, who pulled together in an angry meeting with the board, say they want this soup kitchen out of their neighborhood. They did not want the undesirables in their neighborhood. I would have to say I have some sympathy for that—that it doesn't help their property values or increase their confidence that their children are safe.

Police have pressured the soup kitchen to close down because they feel it is a magnet for people who may or may not be troublemakers.

The church that donated the space has said that they are not sure they can continue to donate the space. They may want to turn it into elderly housing program.

The numbers of people coming in are so high that we are afraid that the facility is going to be overwhelmed.

I guess what I am trying to say is that running these private voluntary programs can be a precarious business. It is certainly not an efficient way to deliver aid. I would hazard to guess that if another 20 people came to our door, we probably couldn't serve them. The fact that these people have other problems just makes it more difficult.

Programs like the Shepherd's Table, I believe, are stretched to the limit. There is a need for Federal, State and local government programs to take some of the load off of Shepherd's Table so we can serve those whom we uniquely can help.

The Shepherd's Table, I am convinced, is just one example of many across the country. Too many people who could be helped more efficiently and effectively by regularized governmental assistance are falling through the cracks. That, Mr. Chairman, is where you can help.

Thank you very much.

Mr. PANETTA. Thanks very much, Rob.

[The prepared statement of Mr. Ferish appears at the conclusion of the hearing.]

Mr. PANETTA. Another individual who has been a tremendous help to the subcommittee and to those working on hunger issues, and I consider him almost as adjunct to our staff operation here because he has worked so closely with those that have been involved in the hunger effort, is Bard Shollenberger with Bread for the World. Bard, welcome.

STATEMENT OF BARD SHOLLENBERGER, POLICY ANALYST ON DOMESTIC HUNGER, BREAD FOR THE WORLD

Mr. SHOLLENBERGER. Thank you, Chairman Panetta.

My name is Bard Shollenberger and I am a policy analyst on domestic hunger with the national organization Bread for the World.

I do want to say that we do have several of our volunteers and interns at the hearing today. They wanted to get a taste of Capitol Hill, and I want to thank you for providing that flavor for them this morning when you were addressing the administration.

I also do want to say that I am very glad to have Rob Ferish on this side of the table as well—quite experienced; he is an expert. And not that he wasn't our friend on the side of the table, but we need all the help we can get over here.

I do want to summarize my testimony and if there aren't any objections, I would appreciate it if my entire statement were included in the record.

Mr. PANETTA. Without objection.

Mr. SHOLLENBERGER. I want to try to do this speedily, but as you know, we antihunger advocates get very little forum on the Hill, especially in these last few years.

I want to thank you for inviting me to testify today on the potential effort of the administration's budget proposals on food assistance programs.

I also do want to take the opportunity to make some recommendations for you for improving these programs to better meet the food and nutrition assistance needs of hungry people in our Nation.

I also want to thank you, Mr. Chairman, personally, on behalf of Bread for the World for your commitment and your leadership, and perseverance, in obtaining the funding increases last year—a very significant accomplishment, especially in this time of Federal budget constraint—and for all your efforts and contributions toward exempting these vital programs from the automatic cuts under Gramm-Rudman-Hollings.

As you know, Bread for the World is a nationwide Christian citizens' movement of over 50,000 members who are actively involved in obtaining public policies relating to hungry people here and around the world.

Many of our local members and churches that are affiliated with our organization are engaged in local antihunger activities, such as volunteering at food pantries, or working in soup kitchens, and even conducting surveys of hunger in their own communities.

We have a long history of working to improve the Federal response to hunger in our Nation and, of course, we will continue our efforts.

We would like to remind Congress as it struggles to reduce the Federal deficit that it should be ever mindful of an even greater

and more harmful deficit, and that is the extent and scope of hunger and poverty in our Nation.

As you know, over the last several years, our Nation has experienced a dramatic increase in the number of people seeking emergency food assistance. This growth of the hunger problem is not surprising given the dramatic increase in the number of people living below the poverty level. Since 1980 alone, over 4 million more Americans are living in poverty, which is one of the largest poverty levels since 1964.

I know the subcommittee is well aware of the problem. In the past 3 years you have held numerous field hearings around the country, hearings here in Washington, and you received personal testimony and documentation about hunger and Federal food assistance programs.

You have also received and reviewed numerous reports and studies, some of which were mentioned today.

One thing I think is clear from the testimony and from the numerous studies and surveys that have been conducted, and from those among us who have experienced hunger first hand, and that is the irrefutable fact that there are hungry people in America.

People may disagree about the severity of the problem and over how many people are affected by hunger. Some disagree whether hunger is increasing or decreasing. Others may differ on the location of the most severe hunger problems and the methodology used in obtaining hunger data. Some disagree on the causes of hunger. But what I hope we can all agree on is that hunger in this Nation—whatever its scope, nature and cause—should not be tolerated.

Despite some concern over the reliability of these reports, the evidence of the problem continues to mount and points to the failure of voluntary and private efforts to fully meet the increased demand for emergency food and for the failure of food assistance programs themselves to provide adequate benefits for many participants and to serve many people in need of benefits.

We think that one thing that these rash of studies over the last several years have pointed to is a need for a comprehensive and ongoing national system of nutrition monitoring. Bread for the World is but one of the number of organizations supporting such legislation that is now before the House.

While I think the need for data is clear, we can not afford to, nor should we, wait for additional data to continue to address the hunger problem in our Nation.

Last year, Congress made significant improvements to the Food Stamp Program which, if implemented, would improve benefits, expand eligibility, and would provide more meaningful employment and training programs for participants.

The budget of the administration would negate these program improvements and calls for even deeper cuts in food stamps and other programs before this committee. To again propose these cuts, which Congress has already rejected in the past, and call for the repeal of program improvements made by Congress last year, is at best absurd, and will only further deepen and continue the already severe hunger crisis in our Nation.

Rather than go into detail on some of the provisions which are included in my statement, I do want to focus specifically on the Temporary Emergency Food Assistance Program. The administration is again proposing to eliminate all Federal administrative funding for TEFAP that assists States and local organizations to store and distribute surplus Government commodities.

Under the proposal, many States and local emergency food providers would no longer be able to participate in the program. And, therefore, low-income people would be denied access to these commodities.

Organizations that are helped by this funding are food banks, soup kitchens, food pantries, churches and community groups that distribute surplus commodities to poor people. The funding is provided to help them defray only some of the costs that they incur for the storage, transportation, and distribution of these commodities.

Many members of Bread for the World and many churches that are affiliated with us are actively involved in providing emergency food assistance to families and individuals in their communities. Many of whom are not participating in other food assistance programs or whose food stamps and other resources simply do not stretch enough to provide an adequate diet throughout the month. Many of these providers are telling us that they are unable to keep up with the demand for emergency food in their communities, and that funds available through TEFAP and other sources do not come close to meeting their costs.

In addition, many areas of the Nation remain unserved or underserved by the program.

Last week, we help conduct a telephone survey of over 30 States. The overwhelming criticism of TEFAP was the need for more administrative funding. Most States could not continue to operate TEFAP without Federal administrative funding at current levels.

Most States, as you know, rely on volunteer networks to operate the program and to reduce State costs for processing and distributing surplus commodities. For example, Missouri claims that it is actually losing money by operating TEFAP, and Iowa is considering not continuing to participate in the program even if the current level of administrative funding is maintained.

Obviously, our organization, Bread for the World, is opposed to the administration's cuts in these programs as well as other nutrition assistance and other programs for low-income people. We feel that these cuts would only further aggravate the hunger problem that we are facing.

We, like the Food Research and Action Center and other organizations, believe that program improvements can be made in the Food Stamp Program and other nutrition assistance programs this year.

I have detailed some of these recommendations in my testimony but basically I want to say that these improvements should address two main problems of the Food Stamp Program, and that is the adequacy of the benefit level for many participants and the underutilization of the program by many poor people who are eligible to participate.

In conclusion, I would like to say that the administration's proposal to repeal the modest increases made in the Food Stamp Program last year, as well as its proposals to further reduce funding for the food stamp and other nutrition assistance programs, is a callous disregard of the hunger problem and the people who are suffering from this needless condition.

At a time when hunger is a significant problem in America, Congress should not fall victim to deficit mania by reducing funding for these programs. Rather, Congress should make these programs a priority and should make program improvements and make more funding available.

Congress must take the lead in making the elimination of hunger in America a national policy of the highest order. We feel with this leadership and the support of all of our citizens, this Nation can eradicate hunger.

I want to thank you again for inviting me to testify today.

[The prepared statement of Mr. Shollenberger appears at the conclusion of the hearing.]

Mr. OLIN [acting chairman]. Fine, thank you very much, Mr. Shollenberger. We will move, before questions, on to Ms. Rhoads, if you would like to testify now.

STATEMENT OF JANIS G. RHOADS, REGIONAL REPRESENTATIVE, NATIONAL COMMUNITY ACTION AGENCY DIRECTORS' ASSOCIATION, AND EXECUTIVE DIRECTOR, SOUTHEASTERN IDAHO COMMUNITY ACTION AGENCY

Ms. RHOADS. I would like to thank you for the opportunity to testify and I would also like to thank the committee staff for their technical assistance.

One-fourth of the State of Idaho qualifies for the Surplus Commodity Program. We have three main industries. They are lumber, agriculture, and mining. Some of our mining communities are totally desolate. The mines have closed down and people are leaving the State looking for employment. The farming picture is just as bleak. Things are really bad in Idaho right now.

I live in Pocatello, the second largest city in the State, with a population of 47,000. We have 1,200 homes for sale, and they are selling at an 8-percent rate.

We have developed a homeless shelter where we have been housing people for the last couple of years. We have 12 to 15 people who stay there a night—they move on. People who are homeless don't stay in Idaho—there is no work, and it is very cold. Things are really difficult in our State right now.

We have distributed in 1985 in the whole State of Idaho a little over 5 million pounds of commodities. When the Commodity Program first started, the State Department of Education and Health and Welfare came to the seven Community Action Agencies asking us to distribute commodities. They indicated that if we did not accept this, there would be no Commodity Program in Idaho. We accepted this challenge, and the program, quite frankly, has been a challenge ever since.

We have a budget in our region of \$18,500 last year. We spent \$14,000 on storage. We only have one storage facility with the capa-

bility of housing the goods that we receive. The balance of the money went for postage, printing, as well as \$4,000 of our own agency funds.

I polled the rest of the community action agencies in the State, if we lost the TEFAP money we would not be able to continue the program. We use staff support from the community services block grant but we could never make up the difference in storage costs or other areas. By using the staff support, we tapped into a network of outreach systems and county offices that we already had in place.

Right now we are 7 months into the fiscal year and I still don't know what my allotment for the Commodity Program is going to be this year. I have had four contract amendments and probably will have four more before the program is over. We operate in a deficit continually.

Every time it comes time to renew the contract for the Commodity Program, there is this question are we going to do this again? We know we will because we think of that child in the line in a coat too tight to button in the middle of the winter and we know we have to continue with this program.

We do get some assistance from the county. Some of them are able to send their dump trucks into the main location to pick up commodities to take out to their local areas. But they don't have funding right now to supplement the program either.

Transportation is very, very difficult in our State. Idaho has 82,000 square miles and may house less than 1 million people. So trying to get to all the locations that we need to get to, to make it cost effective for the recipients to get the commodities is always a challenge.

In our region, southeastern Idaho, we have 15 distribution points. In northern Idaho, they have 42 distribution points. We had a situation that occurred in northern Idaho where an individual had donated a van. They were driving the van on 45 minutes, approximately, to a distribution point—the van was full of frozen butter when they picked it up. They got stopped in road construction on a hot August day and the butter literally oozed out the cracks of the van, and out of the back of the van. And because it was where they were stopped for road construction, the construction workers then had to put gravel over all the butter spots so that people didn't slide into the construction work traveling the rest of the way. The biggest fear was: Will USDA ever believe this?

We also have a lot of problems with damaged goods. The goods—you know, you will accept like a whole truckload. You will spot-check the goods, but they still get through, and you miss what's happened. We had a case in central Idaho where 35 cases of honey were damaged in the whole truckload. The process for that agency in getting that written off from USDA took a year and a half and probably a stack of paper work this high.

If there is going to be so much emphasis put on damaged goods, then let's start at the beginning of the process. Let's look at what kind of things they are loading on in the beginning on the trucks so as to be concerned about it through the whole process.

Another problem that we have is the flour sacks are brittle. You go to pick them up and your hands can go right through them

sometimes—they have been in storage for so long. The rice packages don't seal correctly. And so you get a volunteer that doesn't quite pick it up right or it is not sealed, and you have rice everywhere. The rice and the flour isn't quite so bad as the honey. The honey comes in plastic containers; it is squeezed wrong; the lids pop off—and honey is a sticky mess to clean up. So we would like to see the packaging done a little bit better. That would help us in controlling the damaged goods.

The loading and unloading of the commodities is an extremely difficult process. In our region we have 728 volunteers that help with our commodity distribution. They are usually women, they are usually senior citizens, and they are usually low income. Quite frankly, they are usually low-income elderly women—all three. So, they don't have the physical capability. Even the men that we get to help are usually senior citizens. They don't always have the physical capability, or they are the chronically mentally ill people out of the institutions.

One time we had a man in his nineties loading commodities, and I knew that he wasn't going to make it through the day, and I kept trying to get him to sit down; kept going back in the back of the truck—Eric, are you OK? Are you, you know, still here? And he was just very determined to load those commodities. We were all concerned about his situation. He sat down in the back of the truck behind the commodities to rest. And we all ran into the truck, Eric—because we thought for sure something had happened. We are faced with this kind of situation continually.

Our volunteers are great. They are very dedicated to the program. They are very, very committed to what they are doing. But to manage 728 volunteers effectively is a challenge. We have developed training programs. We have developed volunteer agreement forms where we stress confidentiality, the types of things that the volunteers need to do. We have even at this point developed job descriptions, because if one person walks in every month and they sit and they handle the first part of the alphabet, and somebody else takes their seat—we have problems. So we have to make it very clear what volunteer has what assignment. If a volunteer leaves, who can bid on that assignment. So all of this does take a structured environment for you want to keep your volunteers happy.

We also have a large problem with inventory. I don't think we don't have a problem with inventory. I think USDA has a problem with inventory. When you have volunteers helping a lot, you don't always get a consistent count. Sometimes our inventory can be down in the count, and sometimes it can be up in the count. It just depends on who is doing the process. So we continually have to go out and monitor and recount to make sure that the inventory is accurate.

We had a situation in one of our communities where we came up 23 cases short. We didn't have time to monitor before the report went in. We sent the report. A week later, we went out, we monitored it, we pulled out all the parts to see who had received the distribution. We matched it with the physical count, and the inventory was perfect. It was just a mistake. We had an 84-year-old lady who volunteered who had miscounted the inventory in that location. When we got back, having cleared this up—on my desk was a

letter from the USDA, you owe \$1,023.56 for those 23 cases of cheese.

It is so difficult sometimes to even—you know, you are volunteering, you are doing the best you can. The money is not adequate, and you are not getting support from the Department of Agriculture.

A couple of other problems, real quick. Uniformity in regulations has been a problem in our State. We distribute commodities at 130 percent of poverty so that we can enroll people when we do the fuel crisis program as well—the State of Utah distributes at 185 percent. We hear that consistently in our distribution process because we border the State of Utah.

Another thing, if we could get more food, we would sure take it. Any of the Title I's that were available before, we could get more varieties, more assistance—we need it desperately.

I love the State of Idaho. I love living there. I hate seeing people moving away because there are no jobs and there is no opportunity. I would appreciate any help and consideration this committee can give.

Thank you.

[The prepared statement of Ms. Rhoads appears at the conclusion of the hearing.]

Mr. OLIN. Fine. Thank you very much, Ms. Rhoads.

I just have one question for you, and I am not sure I got this just right.

You are basically financed from the community service block grant, is that right for Idaho, or, at least the work you do related to the surplus food is?

Ms. RHOADS. Some of the staff time, staff are paid out of the community service block grant. But we do get the funding from the Department of Agriculture for the TEFAP. In our area last year, we got \$18,500.

Mr. OLIN. Roughly, what is the ratio? How much of your TEFAP work is funded under the CSBG?

Ms. RHOADS. I would probably say about 20 percent of the staff time is spent on this program. But then a lot of the staff time on this program is overtime that they do just because their work schedule is already full as is, and this is an extra responsibility.

Mr. OLIN. You are aware that the President's budget intends to terminate the grant for the Community Action Agency and then combine that with CSBG with no more money. What kind of an impact would that have on you in Idaho?

Ms. RHOADS. It would have a really devastating impact. All seven Community Action Agencies have said, without the TEFAP money, we cannot do the program.

The State of Idaho, with people moving out, and the kind of economic situation that we have—State taxes are down, county/city revenue is down. So, I just don't see how we would be able to maintain the program.

Mr. OLIN. Do you feel that you can get more help from the private sector, either with regard to volunteers, or volunteer supervisors, or whatever?

Ms. RHOADS. We could get more help from volunteers because we have a good volunteer force, but I don't think we could get any

monetary assistance. We have really tapped our region as much as there is to tap. And when you have got one-quarter of the State who qualify for the program—there just aren't a lot of resources available.

Mr. OLIN. Thank you.

Mr. Shollenberger, you have been here, I take it, most of the day listening to all of these testimonies. I am just wondering from your point of view, what do you think is the most important challenge that lies ahead for this subcommittee in providing good and effective nutrition assistance to the poor?

Mr. SHOLLENBERGER. Somewhat fallaciously, I guess convincing the administration of the need for the programs.

I think there are several things, and I have included this in my record, that the committee should look at, I think primarily is addressing the benefit level question. This subcommittee did a study of the Thrifty Food Plan and the benefit levels last year that I think is instructive.

I think most importantly would be to revisit a provision that was considered back in the original H.R. 5151, and that is basing the thrifty food plan benefits prospectively, on the prospective cost of food in the coming fiscal year. Currently, the thrifty food plan benefits fall anywhere between 3 and 15 months behind the actual cost of food. If we are going to be fair and equitable and base benefits on a thrifty food plan, let's do so more accurately. I think that is one thing that this committee should consider.

Mr. OLIN. What would you put next?

Mr. SHOLLENBERGER. Besides opposing the administration's proposed repeal of things that were included in the Food Security Act last year, I think asset limits could be revisited and increased according to what even the President's Task Force on Food Assistance has done. I think we could increase the shelter deduction, even further than was done last year, to enable households with high shelter expenses to obtain more benefits, then I would face the heating or eating dilemma that so many of these households do.

Mr. OLIN. OK, thanks very much.

Mr. SHOLLENBERGER. Thank you.

Mr. OLIN. Mr. Fersh, good to see you again. Glad to see you are back with us on the other side of the table.

Mr. FERSH. Thank you, Mr. Olin, it is nice to be here.

Mr. OLIN. I didn't hear your testimony but we have got it up here. I wanted to ask you, your testimony indicates that you think the Employment and Training Program mandated for all States by the administration can be considerably improved upon.

What would you suggest as an improvement?

Mr. FERSH. Mr. Olin, I think there are a lot of improvements that can be made. First, I would like to point out that there is recent research by the Manpower Development Research Corporation that shows in fact some of these programs can make a difference.

As you pointed out earlier, they need to be targeted on appropriate groups. One of my concerns is that the recent farm bill legislation does not include enough money to really make things happen for people. The new GAIN Program in California, which will be im-

plemented over the next few years—just to serve AFDC recipients alone in California will be \$200 to \$300 million a year in investments, to cover their transportation, their child care, the supportive services, and to allow more than perfunctory strategies to occur. Even in the farm bill, which the administration would reduce further, we are talking next year a maximum of \$50 million, and then the outyears, \$75 million, to try to do a major employment and training program.

So, I am very much concerned that you really have something meaningful happen—within the Food Stamp Program there needs to be a better investment.

I was quite disappointed to hear Mr. Leard indicate this morning that \$30 million is enough. He justified that because three-quarters of the States now do job search for \$30 million. I don't think, when this program was designed, Congress had in mind replicating what is seen as often as an ineffectual and limited job search program. As you pointed out, that often leads to nothing.

So I think that is what you have is a formula for a paper work shuffle, and that will lead, probably, nowhere. That is why, unfortunately, you get what you pay for, and you need to make that investment.

One other point I would like to make on that as well. The NDRC study showed, and confirmed, what countless studies have shown before, and that is, most people really do want to work, there is no question. There are some who may not.

I would suggest programs ought to at least allow States to run voluntary programs. That is, set up standards, and you have to serve so many people, but why make Massachusetts revise their successful ET program? Why not set up the slots, see if you have the people come in, and then deal with the problem of those who don't come in after the fact. It seems to me an awful waste of time to try to monitor the participation of every person and use up a lot of bureaucratic resources trying to enforce every requirement on everyone when there is an opportunity to simply provide these slots and let people come. It would save us a lot of paper work.

Mr. OLIN. I basically agree with your approach, and I agree with you that \$30 million, or whatever it was, was nowhere near enough.

Do you think it is really realistic, though, for the Federal Government to finance the job search and job development for the States, or isn't that something that really the States need to have flexibility to do the way they want to do it but they really have to take the load of the cost?

Mr. FERSH. Mr. Olin, I think that is a difficult issue, particularly in the Food Stamp Program when all dollars and benefits are paid to the Federal Government. I do think, though, it is an investment that we need to make collectively. In the AFDC Program and the Food Stamp Program there ought to be a combined approach with a fair sharing of cost. If we really want it to happen, I think the Federal Government has to put the seed dollars down to make it meaningful. Many States, particularly States that probably need to do it most, may have the fewest resources to put out for this sort of thing.

In my view, this is an investment in the future of the country. We need to get people back into jobs, to be trained to serve what the current labor market will allow. I just think it is a wise investment. Over time, savings should accrue to the Federal Government. My concern is that if we leave it only to the States, not enough will happen.

I would be very much interested in working on incentives to have the States contribute.

Mr. OLIN. So you favor the seed money approach, and you would not be adverse to some kind of a cost-sharing arrangement?

Mr. FERSH. In point of fact, the Food Security Act does involve cost sharing. The States must pay for the work-related expenses of participants in the employment and training program, and half of that money must come from the States, up to \$25 a month.

In addition, it is intended that the block grant amount would not cover the entire program. After that, States would share 50 percent on every dollar. I just think the grant level to begin with needs to be a bit higher to really get things moving.

Mr. OLIN. Let me ask you a question that came to my mind here when Mr. Shollenberger was talking, about the underutilization of poor people of the program.

I wonder, Mr. Fersh, if you could comment on how you feel the Food Stamp Program is presently discouraging participants in that respect?

Mr. FERSH. Mr. Olin, in my testimony I cite some examples that recently came from the State welfare administrator. She indicated to the gentleman from Charleston, SC, earlier that there has been an enormous increase and emphasis on error rate sanctions, a tremendous increase in verification and paperwork requirements.

My fear is that there are people falling through the cracks. They may not even necessarily have been lawfully denied benefits—it is just after the third or fourth trip back with verification and rent receipts, and so on, they are not getting on the program, they are giving it up.

As I mention in the testimony, the statistics now are not really comprehensible. We don't know why so few people are on the program now, given the poverty rate and unemployment rate in this country. And what the State administrators have told us—most of them off the record, they say when in doubt, we are denying benefits because of the pressures on the current mode of thinking in Washington.

Mr. OLIN. It is a little incredible to me. You are saying that people are driven away by the pressure or the paperwork, when they are at the same time hungry?

Mr. FERSH. Yes, though, I think if you are asked to come back time and time again to bring your rent receipts, and that is not the proper check—that many of these people are not sophisticated; they are easily dissuaded. They may not even be that literate. They may not be able to read the forms. Some of these forms—Ph.D.s have trouble figuring out. There is a tremendous burden on the local caseworker.

Mr. OLIN. How about a little bit different aspect to that—the subject of people being discouraged from getting an education because of the various aspects of the Food Stamp Program?

Mr. FERSH. Mr. Olin, I was real interested in your comments earlier about that. I think I disagree a little bit, but I certainly understand the political sensitivity of discussing of college student participation on the Food Stamp Program. In point of fact, it was a major issue here in the mid-1970's. But college students today on the Food Stamp Program are not the ones that used to abuse it 10 years ago, but people in fraternities and wearing beanies, and fur coats, and going to football games. What we are talking about are a lot of people who must meet now very stringent requirements, either they must work or have very young children to be students on the program.

My fear is that they are being dissuaded—discouraged from going to work.

I mentioned earlier you can work full-time minimum wage to be on the Food Stamp Program. If you decide to go to school at night, and you want to pay out of your earnings tuition fees, books, you cannot get a deduction for that. So if you can't get a deduction for that, you may have to choose between eating and going to school.

One of the concerns I have about what you said earlier is—and I respect that perspective—you said maybe we need to solve this outside the Food Stamp Program. The problem is that the Food Stamp Program is inherently involved—unless you are going to increase the aid available to people enough on the outside to cover their day-to-day living expenses, whatever aid you give them for education basically counts against their food stamp benefit. That is the problem. If they are going to get any kind of educational aid, their food stamp benefits go down and they have to make a choice between education and eating.

I think we really should try to dispel the myth there is no longer rampant student participation; in fact, it is very small. We ought to talk about the kinds of people who are now students on the Food Stamp Program and bend over backward to make it possible for people with enough initiative to go to school to actually go ahead and pursue school even if they get some public assistance while they are doing it.

Mr. OLIN. I appreciate your thoughts.

Mr. EMERSON, do you have any questions?

Mr. EMERSON. Thank you, Mr. Chairman. My apologies for my tardiness in returning to the subcommittee. I have had a couple of other meetings that I had to go to. One of our great frustrations around here is how to schedule and try to keep it all rolling along as it should.

First of all, I am sorry that I missed Ms. Josaitis' testimony from Focus: HOPE. I am familiar with her program and I think it is an excellent one and we enjoy working with her and the information that she provides us. I think she is doing some very sensitive things.

Second, Rob, we are delighted to have you here. I apologize for missing your testimony but I have had an opportunity to read most of your statement here and will, indeed, read the whole statement. You have made a commitment to provide accurate and credible information to policymakers and the public to assist the formulation of policy that is responsive to the needs of low-income persons.

As you so well know from your service with this committee that that is indeed a commodity of which we are always very much in need. I commend you for your commitment with your organization to provide us with the kind of data that we need. There is a lot of data floating around out there. The question is how reliable it is. We, as policymakers, as legislators, have, of course, to rely on the data. We are talking about spending the taxpayers' money and establishing laws and policies that hopefully are going to bring benefits to the people that those policies and laws are designed to serve.

As you embark upon this new venture, I just want you to know that I, as one member of this committee, am really looking forward to working with you and to having the opportunity to act upon that accurate and credible information.

You are a person of great integrity and have that reputation with this committee, and I know that you will carry it into your new endeavors.

Mr. FERSH. Mr. Emerson, thank you very much. I do very much look forward to a close working relationship with you continuing, and I will reiterate that to me the credibility issue is extremely important. Everyone is somewhat selective in what facts they go after and choose what to be the truth is about is enough, and it should be enough, and that is really what we are trying to get at.

Mr. EMERSON. We look forward to continuing to work with you. Thank you.

Mr. OLIN. I would like to thank the panel. We appreciate your contributions, and thank you very much for coming.

We have one final witness, Mr. Brian Crowley of the General Accounting Office. Mr. Crowley, if you would come forward. He is Senior Associate Director, Resources, Community and Economic Development Division. We are very happy to have you with us today. Looking forward to your testimony. It looks like you have got some helpers—if you could tell us who they are.

STATEMENT OF BRIAN P. CROWLEY, SENIOR ASSOCIATE DIRECTOR, RESOURCES, COMMUNITY, AND ECONOMIC DEVELOPMENT DIVISION, U.S. GENERAL ACCOUNTING OFFICE, ACCOMPANIED BY BARRY T. HILL, GROUP DIRECTOR; STANLEY J. CZERWINSKI, ASSIGNMENT MANAGER; AND JAMES R. HAMILTON, EVALUATOR, DALLAS REGIONAL OFFICE

Mr. CROWLEY. Mr. Chairman, let me introduce the people at the table with me. On my immediate left is Barry Hill. He is our Group Director in charge of food and nutrition service work. On my immediate right is Stan Czerwinski—we will spell that for you—who is our Assignment Manager, specifically dealing with the Food Stamp Program. And on my far right is James Hamilton from our Dallas Regional Office, who conducts much of our food stamp work out in the field.

Mr. Chairman, I have a statement that I will submit for the record and will summarize for you.

Mr. OLIN. Your full statement will be entered into the record.

Mr. CROWLEY. Thank you.

We are pleased to be here today at your invitation to discuss work relating to the Department of Agriculture's 1987 budget pro-

posal for the Food Stamp Program. These proposals would revise several provisions enacted in the 1985 Food Security Act and would put in place several provisions that were rejected by the subcommittee during its consideration of that act.

These proposals would reduce expenditures by \$313 million in fiscal year 1987. Most of the changes proposed involve policy decisions that can only be made by the Congress. Unfortunately, we have not done any work that would define the impact of these changes, so we do not have any comments on the specific policy-related proposals.

However, we have several reports that relate to the budget proposals on the quality control and error rate sanction system and have recently issued a report that describes how the Federal Government can save program funds by improving the recovery of overissued food stamp benefits.

I will summarize the issues discussed in those reports.

As you know, the quality control system measures the types and extent of errors States make when determining Food Stamp Program eligibility and benefit amounts. USDA has proposed that States with food stamp error rates exceeding a 5-percent target be sanctioned in an amount equal to their excessive overissuances. The current sanction system is based on a percentage of the Federal reimbursement that States receive to administer the Food Stamp Program.

Since 1982, we have supported the concept of error rate sanctions because it gives States a financial incentive to reduce program errors. However, reducing program errors sometimes requires States to increase the amount they expend to administer the Food Stamp Program. Under the current sanction system, a State that spends more to operate the program would be sanctioned more than another State that has the same error rate but spends less to administer the program. The current sanction system may, then, give States a disincentive to spend the administrative funds needed to reduce program errors.

In April 1984, this subcommittee approved H.R. 5151, which contained a provision that would have calculated food stamp sanction liabilities on the benefit amount, not the administrative costs. As you know, H.R. 5151 was not enacted.

We believe that sanction amounts should be tied directly to excessive overissuances rather than based on administrative costs. Whether there is a direct dollar-for-dollar offset, or whether the error rate target should be changed, are matters for the Congress to decide. The important point is that the financial incentive, at whatever level, be tied directly to the amount of overissuances.

Another issue related to the error rate sanctions is the question of the accuracy of the quality control system and the reliability of the rates it produces. Because of the States' concerns about the reliability of the system, the Congress placed a 6-month moratorium on sanctions, which is scheduled to expire on June 24, 1986.

We have completed one review of the quality control system during the past year and currently have two more ongoing that will provide valuable insights into this issue. Last year, we reported to this subcommittee on our analysis of the statistical precision that USDA's estimated quality control error rates have. The preci-

sion of these estimates varied significantly from State to State. For example, last spring, Agriculture sanctioned Vermont \$705,000 because its fiscal year 1983 error rate of 16.2 percent exceeded the 9-percent target rate for that year. At a 95-percent level of confidence, Vermont's error rate could have been as high as 19.6 percent or as low as 12.8 percent. Using the end points of the range, Vermont's sanction could have been as high as \$1 million or as low as \$271,000.

Two bills have been introduced to change the basis for assessing State sanctions from the statistical midpoint of the range of estimated error rates to the lower limit of each State's estimated range. The Congress has not acted on either bill.

For the past year, we have been evaluating USDA's official fiscal year 1984 error rates at the request of the chairman of the Senate Committee on Governmental Affairs. Our report to the chairman, which is due out shortly, will evaluate the soundness of the quality control systems in selected States; the adequacy of USDA's oversight of State quality control efforts; and the statistical accuracy of USDA's official Food Stamp Program error rate calculations.

Finally, at the request of this subcommittee, we have recently begun a review to evaluate quality control error rates for the improper denial and termination of food stamp benefits. Our review will look at the soundness of those error rates and examine trends in State denial and termination error rates since sanctions were initiated.

I would now like to discuss an area that is not directly related to any of USDA's budget proposals. It has the potential for saving the Federal Government tens of millions of dollars each year.

Historically, States have had difficulty recovering benefit overissuances made to households participating in the Food Stamp Program. During fiscal years 1981 to 1984, States collected about 3 cents of every dollar of food stamp overissuances. Recent data indicate that the States are making progress at collecting a greater percentage of food stamp claims. States collected about one-third of the claims established in fiscal year 1985.

In a report issued last month, we offered a number of legislative and administrative actions that could be taken or considered to improve the recovery of food stamp overpayments and help reduce the backlog of unpaid claims. I will briefly discuss a few of those.

One, Food stamp legislation currently requires States to recover all benefit overissuances. For participant-caused errors that are not voluntarily repaid, States are required to recover the overissuance by deducting an amount from the monthly benefits otherwise due the participant—a procedure called recoupment.

In our recent report, we recommended that the Congress amend the Food Stamp Program Act of 1977 to conform with AFDC legislation that provides for mandatory recoupment of all overissuances regardless of whether they are agency-caused or participant-caused. Such a change would have increased collections by 7 percent in the 11 locations we reviewed and, according to the Agriculture IG, could save the Federal Government about \$17 million a year.

Two, Recoupment is an effective collection tool, but it requires taking collection action soon after the overpayment is identified. We found that if priority were given to such claims, collections

would increase significantly. We have, therefore, recommended that USDA require priority processing of claims involving current participants by establishing time-period criteria that would require prompt collection action on such claims.

We estimated that this, plus other changes designed to improve the timeliness of collection actions, could have increased collections an additional 7 percent in the locations we visited. According to the IG, this type of action could save the Federal Government another \$18 million a year.

Three States have always had difficulty collecting from former participants, and one possible way of improving collections on these claims is to offset Federal income tax refunds to recover delinquent overpayments from former food stamp participants. The cost effectiveness of this technique, as well as its impact on former food stamp participants and the Federal tax system, is largely unknown and should be more definitively determined.

IRS is presently conducting a 2-year test of the feasibility of Federal tax refund offsets. If the 2-year test proves that offsets are feasible, the Congress should consider authorizing the use of such offsets for the Food Stamp Program on a trial basis.

In summary, Mr. Chairman, the Congress has been very sensitive to the concerns of the States who must collect food stamp overpayments and the program participants who are subject to these collections. In 1981, the Congress responded to the State officials' concerns about the absence of sufficient financial incentives and effective collection tools. Indications are that since the Congress has given the States those tools, collections have increased very well. Our recommendations would add to the tools that the Congress gave the States 5 years ago to collect food stamp overissuances.

While the Congress has enacted provisions to strengthen State collection efforts, it also has sought to safeguard the well-being of needy households. Congress limited the amount of recoupment, for example, to 10 percent of a household's monthly benefit or \$10, whichever is greater. Also, collection action can be suspended if a State determines that such action would cause undue hardship to the participant.

I would emphasize the need for the Congress to continue to balance the competing needs of the participants, the States, and the Federal Government as it explores ways to save Federal dollars.

Mr. Chairman, that concludes my statement. I would be glad to respond to your questions.

[The prepared statement of Mr. Crowley appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you very much, Mr. Crowley.

Mr. Emerson.

Mr. EMERSON. Thank you, Chairman de la Garza.

Mr. Crowley, in your report entitled "Benefit Overpayments: Recoveries Could Be Increased in the Food Stamp and AFDC Programs," you discuss the States' efforts to collect overpayments in these two programs. Your report finds that these overpayments totaled about \$1.4 billion per year, and make several recommendations to improve collection of overpayments. That is \$940 million in food stamps and \$500 million in AFDC.

These recommendations include allowing States to recover from food stamp benefits the amounts overpaid to recipients because of agency errors; elimination of the requirement that States offer installment payments as an option to recover overpayments; and, to require a maximum of 10 days' advance notice to participants to respond to payment demand letters rather than the 30 days now allowed.

Will you comment on these recommendations and how you believe the States will be able to improve collections if they are implemented?

Am I correct in saying that these recommendations are supported by most of the States receiving the GAO report?

Mr. CROWLEY. Yes, you are correct, sir. The States responded very favorably to the recommendations that were made in this report. There was one exception, but, by and large, they did. The comments of the States are included as an appendix to the report itself.

What we tried to do, Mr. Emerson, is to see if there are ways in which we could offer assistance to the States in furthering their actions in this regard. We think that these recommendations are workable and the people that we talked to at the State and local level agree with that.

Mr. EMERSON. Is it also correct to state that these recommended changes in the Food Stamp Program would bring that program in line with the AFDC program?

Mr. CROWLEY. Yes, sir, it would.

Mr. EMERSON. How much of the food stamp overpayments were collected?

Mr. CROWLEY. In which year, last year?

Mr. EMERSON. Whatever your most recent date shows.

Mr. CROWLEY. In 1985, about \$42 million were collected.

Mr. EMERSON. Forty-two million?

Mr. CROWLEY. Forty-two million.

Mr. EMERSON. There are several provisions in the Food Stamp Act that are aimed at improving the administration of the program by providing incentives to the States. There is also the quality control program in which administrative funding is reduced when States have high error rates. I mentioned these several things in my opening statement.

Can you comment on whether these provisions are effective; whether they have accomplished the purpose for which they were designed?

Mr. CROWLEY. The General Accounting Office traditionally has taken the stance that the Food Stamp Program needed to have financial incentives built into it, so that the States would pay attention to the proper issuance of food stamp benefits that were totally paid for by the Federal Government.

There are several ways to do that, of course. One is to give the States more administrative funds; another is to place a sanction on the amount that the States exceed a certain target level.

The Congress has seen fit to do both, but I see that the present proposals by the administration sought to at least reduce the administrative costs. With regard to the administrative costs, I can't comment specifically as to how much that would affect the error

rate in the future, because we have not done a specific review of how well the States are spending those costs today.

Mr. EMERSON. Thank you.

Mr. Chairman, I would ask unanimous consent at this point to insert in the record a copy of the March 14, 1986, GAO food stamp benefit overpayment report as well as a memorandum from the Congressional Research Service bearing on Food Stamp Act Incentives for Improved State Administration—and I think will be useful to have in the record.

The CHAIRMAN. Without objection, that may be inserted.

[The GAO report and the memorandum from the Congressional Research Service appear at the conclusion of the hearing.]

Mr. EMERSON. I have one further question, if I may.

In 1984, the GAO issued a report entitled "Federal and State Liability for Inaccurate Payments of Food Stamp, AFDC and SSI Program Benefits." In that report, which was based on 1980-82 data, you found that for the Food Stamp Program and the AFDC Program, no sanctions had been collected; for the most part, because USDA and HHS waived the States' liability based on promises to take corrective action. For example, USDA gave an automatic waiver if the State's corrective action resulted in lower error rates in the following year.

Conversely, the Federal Government, you reported, has paid or acknowledged owing about \$161 million for overpayments of federally administered State financial SSI benefits.

Will the GAO be able to update this report and advise us for the Food Stamp, AFDC, and SSI Programs the cost amount of the excessive errors, how much has been collected or waived, and how much remains uncollected?

Mr. CROWLEY. This report updates it for the Food Stamp Program, and the update shows that there has been only one collection—the State of Connecticut paid a penalty of about \$1 million under the Food Stamp Program.

We presently have a job ongoing on the food stamp quality control system which should give a good insight into how good that system is, and what kind of a basis it is for sanctioning States. As you know, right now, probably the biggest obstacle to using it are the States' claims that it is not a good basis for use as a sanctioning tool.

So, at least for food stamps, I think we will have the kind of information that you asked for.

Mr. EMERSON. Thank you very much.

Mr. CROWLEY. You are welcome.

Mr. STAGGERS [acting chairman]. If there are no further questions, I would ask unanimous consent that the hearing record be kept open for additional material.

Without objection, so ordered.

Thank you all. This concludes the hearing.

[Whereupon, at 2:40 p.m., the subcommittee adjourned.]

[Material submitted for inclusion in the record follows:]

CONGRESSMAN BRUCE F. VENTO, TESTIMONY BEFORE THE AGRICULTURE SUBCOMMITTEE ON DOMESTIC MARKETING, CONSUMER RELATIONS AND NUTRITION, April 16, 1986

I WANT TO THANK THE SUBCOMMITTEE FOR ITS INTEREST AND ITS COOPERATION WITH MY REQUEST FOR HEARINGS ON THE TEMPORARY EMERGENCY FOOD ASSISTANCE PROGRAM KNOWN AS TEFAP. IT IS APPROPRIATE THAT WE DISCUSS TEFAP IN THE CONTEXT OF THE FISCAL 1987 REAGAN ADMINISTRATION BUDGET PROPOSAL AND ITS IMPACT ON FEDERAL FOOD ASSISTANCE PROGRAMS.

TEFAP WAS SET UP TO DISTRIBUTE CHEESE AND OTHER SURPLUS COMMODITIES PURCHASED FROM FARMERS BY THE COMMODITY CREDIT CORPORATION. THE PROGRAM IS ALSO INTENDED TO REDUCE GOVERNMENT STORAGE COSTS FOR THESE COMMODITIES. TEFAP OFFERS A UNIQUE OPPORTUNITY TO FEED HUNGRY PEOPLE AND AT THE SAME TIME SAVE TAXPAYER MONEY. THE SURPLUS CHEESE CAN BE ALLOCATED TO STATES FOR DISTRIBUTION TO CHARITABLE ORGANIZATIONS, FOOD SHELVES, AND COMMUNITY ACTION AGENCIES. FOR THE MOST PART, TEFAP HAS WORKED WELL IN THE PAST TO PREVENT SURPLUS FOOD FROM GOING BAD AND GOING TO WASTE.

BUT LAST YEAR, THE AGRICULTURE DEPARTMENT HALTED THE DISTRIBUTION OF THE SURPLUS BLOCK CHEESE TO NEEDY FAMILIES. TODAY, THERE ARE 600 MILLION POUNDS OF SURPLUS CHEESE SITTING IN WAREHOUSES AROUND THE COUNTRY. FOR MANY STATES, INCLUDING MINNESOTA, THE CHEESE EMBARGO HAS MEANT A 50% REDUCTION IN THE CHEESE AVAILABLE FOR THE POOR AT A TIME WHEN DEMAND HAD INCREASED, PARTICULARLY IN RURAL AREAS. IT IS ESPECIALLY IRONIC, MR. CHAIRMAN, THAT HARD-PRESSED FARM FAMILIES - PERHAPS THE SAME FAMILIES WHO SOLD THE GOVERNMENT THE SURPLUS CHEESE - ARE AMONG THE POOR AND UNEMPLOYED WHO NOW USE THE TEFAP PROGRAM. THEY ARE AMONG THE NEEDY WHO ARE BEING SHORTCHANGED BY THE AGRICULTURE DEPARTMENT'S SHORTSIGHTEDNESS ON THIS ISSUE.

JOHN BODE, THE ASSISTANT SECRETARY FOR FOOD AND CONSUMER SERVICES, STATED BEFORE THE HOUSE SELECT COMMITTEE ON HUNGER EARLIER THIS YEAR: "THE AMERICAN TAXPAYER OUGHT TO BE VERY PROUD OF OUR EFFORTS TO HELP THOSE IN NEED". MR. CHAIRMAN, THE MORE THAT I INVESTIGATE THIS PROGRAM THE MORE I CONCLUDE THAT THE AMERICAN TAXPAYERS WOULD NOT BE PROUD IF THEY KNEW WHAT WAS REALLY GOING ON. AN INVESTIGATION BY MY OFFICE HAS SHOWN THAT THE CHEESE EMBARGO IS COSTING AMERICAN TAXPAYERS AT LEAST \$45 MILLION IN EXCESS STORAGE COSTS ALONE. WE ARE THROWING MONEY AWAY. NOT ONLY IS THE AGRICULTURE DEPARTMENT WASTING FOOD, IT IS WASTING SCARCE TAX DOLLARS TO STORE FOOD THAT SHOULD HAVE BEEN DISTRIBUTED TO NEEDY FAMILIES IN THE FIRST PLACE.

MR. CHAIRMAN, AS YOU KNOW, I HAVE BEEN REVIEWING THE TEFAP PROGRAM FOR MONTHS. LAST FALL I WAS NOTIFIED BY MINNESOTA DEPARTMENT OF JOBS AND TRAINING COMMISSIONER JOE SAMARGIA THAT MINNESOTA WAS SOON TO LOSE 50% OF THE CHEESE THAT IT HAD BEEN DISTRIBUTING TO HUNGRY PEOPLE - FARMERS, UNEMPLOYED MINERS ON MINNESOTA'S IRON-RANGE, DISLOCATED WORKERS, CHILDREN, AND SENIOR CITIZENS. WE ENGAGED IN A COLLOQUY, MR. CHAIRMAN, ON THE FLOOR OF THE HOUSE DURING THE DEBATE ON THE FARM BILL URGING RELEASE OF THIS CHEESE. I WROTE TO THEN-SECRETARY OF AGRICULTURE BLOCK ON MY OWN AND IN A LETTER SIGNED BY MY COLLEAGUES IN

THE MINNESOTA CONGRESSIONAL DELEGATION. WITH THE SUPPORT OF MY MINNESOTA COLLEAGUES, I ALSO WROTE TO THE HOUSE/SENATE CONFEREES ON THE FARM BILL - ALL IN AN ATTEMPT TO ENSURE THE TIMELY RELEASE OF THIS CHEESE SITTING IN WAREHOUSES. DESPITE OUR MUTUAL EFFORTS, 6 MONTHS LATER WE HAVE NOT RECEIVED POSITIVE ACTION. THE DEMAND ON FOOD SHELVES CONTINUES TO RISE, AND THE MOUNTAIN OF WAREHOUSED CHEESE CONTINUES TO GROW.

THE REAGAN ADMINISTRATION BROUGHT THE FEDERAL GOVERNMENT BACK INTO THE COMMODITY DISTRIBUTION PROGRAM IN 1981 BECAUSE OF WHAT WAS TERMED EMBARRASSINGLY HIGH LEVELS OF SURPLUS PRODUCTS HELD BY THE CCC. IF THE ADMINISTRATION WAS EMBARRASSED IN 1981, THEY SHOULD BE SIMILARLY ASHAMED TODAY. AS OF JANUARY 1, 1986, IN UNOBLIGATED CHEESE ALONE, THERE IS OVER 600 MILLION POUNDS OF CHEESE IN STORAGE. ACCORDING TO TESTIMONY GIVEN LAST WEEK BY USDA OFFICIALS DURING A SENATE APPROPRIATIONS AGRICULTURE SUBCOMMITTEE HEARING, THE SURPLUSES CONTINUE TO GROW. COMPARING UNOBLIGATED INVENTORIES OF FEBRUARY 1985 TO FEBRUARY 1986 SHOWS AN INCREASE OF 50 MILLION POUNDS OF CHEESE. AND ALTHOUGH THE DEPARTMENT REPORTS THAT THERE IS NO SPOILAGE PROBLEM, OKLAHOMA, TEXAS, ARKANSAS, AND OTHER STATES HAVE RECEIVED MOLDY 40 POUND BLOCKS OF CHEESE FROM THE FEDERAL GOVERNMENT CHEESE STOCKS.

A NATURAL QUESTION IS WHY - WHY ISN'T THE DEPARTMENT RELEASING THE SURPLUS CHEESE? BECAUSE THERE ARE NO 40 POUND BLOCKS AVAILABLE? BECAUSE THE NATION HAS REACHED ITS CAPACITY IN CHEESE PROCESSING? BECAUSE 500 POUND BARRELS OF CHEESE CANNOT BE PROCESSED? BECAUSE IF THE 500 POUND BARREL IS PROCESSED - THE PRODUCT IS CRUMBLY? WE HAVE BEEN GIVEN ALL OF THESE EXCUSES, BUT MR. CHAIRMAN, THE FACT IS THAT THERE ARE 40 POUND BLOCKS AVAILABLE, THE NATION IS NOT AT ITS PEAK PROCESSING CAPACITY, 500 POUND BARRELS CAN INDEED BE PROCESSED, AND HUNGRY PEOPLE WOULD EAT THIS CHEESE BE IT CRUMBLING OR IN SOLID FORM. WE CAN SURELY CONTINUE TO REBUT THE ARGUMENTS PROVIDED BY THE DEPARTMENT - BUT THE DEPARTMENT SEEMS TO PLACE MORE ROADBLOCKS IN OUR WAY EACH TIME WE TEAR THE OLD ONES DOWN. WE ALL MAY FEEL LIKE SISYPHUS, THE LEGENDARY KING OF CORINTH, CONDEMNED TO ROLL A 40 POUND BLOCK OF CHEESE TO THE TOP OF THE HILL ONLY TO HAVE A 500 POUND BARREL OF CHEESE ROLLED DOWN AGAIN. EVERYTIME WE NEAR THE TOP OF THE MOUNTAIN - USDA ROLLS THE CHEESE BACK TO THE OVERFLOWING KANSAS CAVES. MR. CHAIRMAN, IF THIS IS A QUESTION OF MOMENTUM, LET US CONVERT THIS POTENTIAL ENERGY INTO KINETIC ENERGY AND DELIVER THE CHEESE TO THOSE IN NEED.

THE RESPONSE THAT I HAVE RECEIVED MOST RECENTLY FROM THE DEPARTMENT IS THE FEAR OF COMMERCIAL DISPLACEMENT. I HAVE GREAT DIFFICULTY BELIEVING THAT PEOPLE ABLE TO AFFORD TO BUY CHEESE WOULD WAIT IN LONG LINES AND SUFFER THE INCONVENIENCE OF PICKING UP A PARCEL OF PROCESSED CHEESE, NOT TO MENTION BATTLING THE RIGID SCREENING PROCESS. IT SIMPLY STANDS LOGIC ON ITS HEAD TO ASSUME THAT WIDE SPREAD ABUSE WOULD OCCUR GIVEN THE TIME AND EFFORT TO OBTAIN THIS CHEESE IF ONE HAD THE ABILITY TO PAY FOR IT. PRESENT ESTIMATES INDICATE THAT THE TEFAP PROGRAM REACHES LESS THAN ONE-HALF OF ALL ELIGIBLE HOUSEHOLDS. THE NUMBER OF INDIVIDUALS LIVING AT OR BELOW 125% OF THE POVERTY LEVEL EXCEEDED 45 MILLION PEOPLE AT THE END OF 1984. IT IS ESTIMATED THAT THE TEFAP CHEESE DISTRIBUTION IS FEEDING 19 MILLION OF THE 45 MILLION PEOPLE AT OR BELOW 125% OF THE POVERTY LEVEL. IF COMMERCIAL SALES ARE SUFFERING, CUTTING THE DISTRIBUTION OF CHEESE TO THESE POOR PEOPLE IS NOT THE ANSWER.

UNDOUBTEDLY, FLAGRANT DUMPING OF SURPLUS CHEESE ONTO THE STREET FOR ANYONE TO TAKE WOULD HARM IMPORTANT COMMERCIAL SECTORS OF THE ECONOMY. BUT MR. CHAIRMAN - THAT IS NOT WHAT IS OCCURRING. SINCE THE PROGRAM WAS FORMALIZED IN 1981, ELIGIBILITY GUIDELINES FOR STATES HAVE BEEN TIGHTENED AND THE ACCESS HAS BEEN RESTRICTED. I AM AWARE OF A STUDY COMPLETED BY USDA LOOKING INTO THE COMMERCIAL DISPLACEMENT QUESTION THAT I UNDERSTAND COMMISSIONER SAMARGIA WILL ADDRESS AT GREATER LENGTH. BUT WITHOUT QUESTION - THE STUDY USES UNREALISTIC ASSUMPTIONS. WE NEED TO STUDY THE COMMERCIAL DISPLACEMENT QUESTION AT GREATER LENGTH - IN A THOROUGH SUBSTANTIVE MANNER AND THEN CAREFULLY WEIGH THE IMPORTANCE AND EQUITY OF PROTECTING THE DAIRY PRODUCTS INDUSTRY AGAINST THE NEEDS AND BENEFITS OF FEEDING HUNGRY PEOPLE.

THE ISSUE BEFORE US IS NOT ONLY ABOUT FEEDING HUNGRY PEOPLE WITH A PRODUCT THE GOVERNMENT BY LAW MUST PURCHASE - BUT IT IS ALSO ABOUT MEETING STRICT FY87 GRAMM-RUDMAN DEFICIT REDUCTION TARGETS BY CAREFULLY SCRUTINIZING EVERY FEDERAL DOLLAR SPENT. IN GOVERNMENT WAREHOUSES WE HAVE 600 MILLION POUNDS OF CHEESE COSTING 3 CENTS PER POUND PER YEAR TO STORE. THAT CHEESE IS STORED FOR AN AVERAGE OF 2.5 YEARS SO ACCORDING TO MY CALCULATIONS, THIS TOTALS \$48 MILLION DOLLARS - MR. CHAIRMAN - \$48 MILLION JUST TO STORE CHEESE. I REFER BACK TO MR. BODE'S COMMENT - THE TAXPAYERS IN MY DISTRICT WOULD NOT BE PROUD OF SUCH MISMANAGEMENT. WITH \$48 MILLION, EACH STATE COULD BE GIVEN ALMOST \$1 MILLION TO BE USED FOR ANY NUMBER OF PURPOSES, AND RECEIVE THE CHEESE TO BOOT.

IN ADDITION TO THIS ARE EXTRA HANDLING, TRANSPORTATION, AND REPROCESSING COSTS. THESE COSTS ARE DIFFICULT TO QUANTIFY - BUT LET ME USE AN EXAMPLE. THERE IS CHEESE THAT WAS PRODUCED IN MINNESOTA CURRENTLY STORED IN KANSAS BECAUSE THE STORAGE FACILITIES IN MINNESOTA ARE FULL. THE CHEESE - PRODUCED IN MINNESOTA - IS LOADED ONTO A TRUCK AND TRANSPORTED DOWN TO KANSAS - THEN UNLOADED AND STORED IN KANSAS - THEN AFTER IT HAS BEEN STORED - IT MUST BE BLENDED WITH THE NEWER CHEESE SO AS TO AVOID SPOILAGE - IT IS THEN LOADED BACK ON A TRUCK AND TRANSPORTED TO A NEW LOCATION - POSSIBLY MINNESOTA OR IOWA OR WISCONSIN - TO BE DISTRIBUTED TO THE SAME FARMER WHO PRODUCED IT IN THE FIRST PLACE. MR. CHAIRMAN - ALL OF THIS COSTS MONEY - AND MOST OF IT IS A WASTE OF FEDERAL DOLLARS.

AFRICA HAS HUNGRY PEOPLE BECAUSE OF DROUGHTS, MEXICO HAS HUNGRY PEOPLE BECAUSE A TERRIBLE EARTHQUAKE SHOOK THE COUNTRY, BUT HERE IN THE UNITED STATES WE HAVE HUNGRY PEOPLE BECAUSE THIS ADMINISTRATION AND CONGRESS PURSUE A POLICY WHICH RESULTS IN WAREHOUSING CHEESE RATHER THAN MAKING IT AVAILABLE TO THOSE IN NEED. I DID NOT UNDERSTAND THIS POLICY 6 MONTHS AGO WHEN MINNESOTA COMMISSIONER SAMARGIA BROUGHT THIS TO MY ATTENTION, I STILL DO NOT UNDERSTAND TODAY.

YESTERDAY I SENT YET ANOTHER LETTER TO THE SECRETARY OF AGRICULTURE - THIS ONE SIGNED BY OVER 60 OF MY COLLEAGUES - SOME FROM STATES WHO HAVE A VESTED INTEREST BECAUSE THEIR STATE LOST SUBSTANTIAL AMOUNTS OF CHEESE - AND OTHERS SIMPLY TO DEMONSTRATE THEIR OPPOSITION TO THIS POLICY. MR. CHAIRMAN - WE NEED ACTION.

I APPRECIATE THE OPPORTUNITY TO HAVE TESTIFIED HERE BEFORE YOU TODAY. I WILL BE SUBMITTING A LONGER STATEMENT FOR THE RECORD, ALONG WITH MY CORRESPONDENCE WITH THE DEPARTMENT, AND A LIST OF QUESTIONS THAT I WOULD APPRECIATE RECEIVING ANSWERS TO FROM THE DEPARTMENT.

(Attachments follow:)

BRUCE F. VENTO
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Congress of the United States
House of Representatives
Washington, DC 20515
October 22, 1985

HOUSE COMMITTEE ON
INTERIOR AND INSULAR AFFAIRS

CHAIRMAN
SUBCOMMITTEE ON NATIONAL PARKS
AND RECREATION

HOUSE COMMITTEE ON
BANKING, FINANCE AND
URBAN AFFAIRS

HOUSE SELECT COMMITTEE
ON AGING

Honorable John Block
Secretary
Dept. Of Agriculture
Room 200A
12th St. & Jefferson Dr., S.W.
Washington, D.C., 20250

Dear Mr. Secretary:

I am contacting you in regard to the allocations of surplus cheese through the Temporary Emergency Food Assistance Program (TEFAP) in the State of Minnesota.

As you are no doubt aware, Minnesota is one of the states that received both processed and non-processed allocations of surplus cheese for distribution throughout the state for needy individuals. This cheese distribution has helped to provide hunger relief to many Minnesotans. Unfortunately, your decision in February to terminate the processing contracts to states and effectively reduce Minnesota's allocation of cheese by 50%, will severely limit program service at a time when the need for these products continues to increase.

As a part of the debate on the floor of the House on H.R. 2100, the omnibus farm legislation reauthorizing TEFAP, I engaged in a colloquy with Mr. Panetta, Chairman of the Subcommittee on Domestic Marketing, Consumer Relations, and Nutrition in order to clarify the purpose of this program. I have enclosed a copy of this colloquy for your attention.

I am not concerned with the form in which Minnesota receives its cheese, but I am concerned that surplus cheese, processed and non-processed, be made available to individuals as it is available to you. According to Congressman Panetta, "it is the intent of the committee that surplus commodities of cheese - processed or nonprocessed - be continued to be made available to the states in quantities sufficient to serve needy Americans, to the extent that this processed and nonprocessed cheese is available to the Secretary, and can be distributed consistent with legal requirements."

I trust that you will take into consideration this information when exercising your discretionary authority over the cheese distribution program.

Sincerely yours,

Bruce F. Vento
Member of Congress

(Attachment follows:)

October 3, 1985

CONGRESSIONAL RECORD — HOUSE

H 8191

Mr. VENTO. Mr. Chairman, I move to strike the last word.

The CHAIRMAN. Without objection, the gentleman from Minnesota [Mr. VENTO] is recognized.

There was no objection.

Mr. VENTO. Mr. Chairman, I would like to engage in a colloquy my colleague from California, the chairman of the Subcommittee on Domestic Marketing, Consumer Relations, and Nutrition, Mr. PANETTA, concerning the Temporary Emergency Food Assistance Program [TEFAP].

Mr. PANETTA. I would be pleased to enter into a colloquy with the gentleman from Minnesota.

Mr. VENTO. The TEFAP program has been extremely beneficial for low-income households in Minnesota and I would like to thank the gentleman and the committee for their commitment to this program and their work to improve the TEFAP program. As you are aware, the TEFAP program provides hunger relief to needy individuals through monthly mass distributions of

Government surplus commodities. Most affected households are experiencing long-term unemployment and persistent poverty and depend upon these commodities as a part of their daily food intake. And according to statistics that I have received from Minnesota food banks, the need for commodities has been increasing. As an example, in a food shelf in southern Minnesota, an area hard hit by the current agriculture crisis, the number of individuals through the door had increased almost tenfold between 1982 and 1984.

However, I am concerned about the problem that has been brought to my attention which is affecting my home State of Minnesota and approximately 15 other States, that will effectively cut Minnesota's allocation of cheese in half. The Secretary of Agriculture, exercising his discretionary authority, terminated an aspect of this program that allowed States to process bulk cheese. Minnesota, along with these 15 other States, have processing facilities within the State and had previously been processing 40-pound blocks of surplus cheese. The States received these surplus commodities and then processed them into 2- and 5-pound packages for distribution. This amount was in addition to the States' allocation of prepackaged 2- and 5-pound parcels of cheese.

This reduction in Minnesota's cheese allocation is occurring at a time when the demand for the cheese is actually rising. Not only is the need increasing in southwestern Minnesota, but throughout the rest of the State as well. If Minnesota is forced to absorb the anticipated shortfall resulting from the Secretary's decision, the needs simply will not be met.

I am very pleased with the USDA allocation that distributes approximately 500,000 pounds of cheese a month to Minnesota; however, if there is bulk cheese available for processing, and Minnesota along with other States have the facilities to process it, why shouldn't the States receive these allocations?

The real question here is not regarding the size or the makeup of the cheese, the question is, what is the amount of cheese available for distribution and will that amount be distributed as it is available? I would hope that the Secretary, when exercising his discretionary authority over this distribution program, takes into consideration the needs of the low-income individuals who are being helped by this program.

Mr. PANETTA. Mr. Chairman, if the gentleman will yield, I appreciate the gentleman bringing this matter to my attention and I would like to assure the gentleman that it is the intent of the committee that surplus commodities of cheese—processed or nonprocessed—be continued to be made available to the States in quantities sufficient to serve needy Americans, to the extent that this processed and nonprocessed cheese is available to the Secretary, and can be distributed consistent with legal requirements. I see no reason why distribution should have been reduced in recent months unless a shortage of processed or nonprocessed cheese has developed. As far as I know, the demand for surplus commodities remains high and the supply of cheese is considerable.

Mr. VENTO. I thank the gentleman for his assurances and for participating in this exchange, and am satisfied that the committee language and intent will insure the distribution of both processed and nonprocessed cheese as is necessary to serve the needy.



United States
Department of
Agriculture

Food and
Nutrition
Service

3101 Park Center Drive
Alexandria, VA 22302

December 23, 1985

Honorable Bruce F. Vento
House of Representatives
Washington, D.C. 20515

RECEIVED
DEC 27 1985

Dear Congressman Vento:

Congressman Bruce F. Vento

Thank you for your recent letter concerning the U.S. Department of Agriculture's (USDA) decision to discontinue providing States with block cheddar cheese for processing under the Temporary Emergency Food Assistance Program (TEFAP).

Beginning in September 1983, USDA established the distribution level of 35 million pounds of cheese per month. In addition, States were permitted to order as much block cheddar cheese for cutting and processing as they desired. USDA distributes primarily process cheese (a blend of cheddar cheeses) through TEFAP because it is easier to store and less subject to spoilage. Most of the State processing contracts were for cutting 40 pound blocks of cheddar cheese into sizes suitable for household distribution; only a few were processing contracts for the conversion of block or barrel cheese into process cheese. Barrel cheese is only suitable for processing and not for cutting. When inventories of the younger block cheddar cheese required for cutting contracts dwindled and USDA's ability to acquire supplies of process cheese increased, the Agricultural Stabilization and Conservation Service advised the Food and Nutrition Service (FNS) that block cheddar cheese would not be available for State TEFAP cutting contracts effective March 31, 1985. Because of the supply situation, FNS decided that all State (TEFAP) processing activities should be cancelled.

Therefore, beginning April 1, 1985, FNS began replacing all outstanding contract commitments for cheddar cheese on a pound-for-pound basis with process cheese for the duration of the existing contracts. Now all States are receiving total monthly allocations in the form of process cheese.

USDA contracts for the processing of 500-pound barrels and 40-pound blocks of cheddar into process cheese for distribution through TEFAP and to schools and other outlets. During Fiscal Year 1985, USDA processed 468.3 million pounds—an average of almost 40 million pounds per month. Thirty-five million pounds of this process cheese were donated to TEFAP each month and the remainder was available for schools and other outlets.

Honorable Bruce F. Vento

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USDA no longer provides States with 500-pound barrels for processing and subsequent distribution under TEFAP. As we stated earlier, the barrels are suitable for processing, not cutting. Only three States had contracts to convert the 500-pound barrels to process or American cheese.

* (The determining factor in USDA's decision to discontinue State processing of barrel cheese was the commercial displacement issue. This is also the case in USDA's decision to reduce the amount of surplus butter donation from 12 million pounds to 6 million pounds each month, effective August 1985. The TEFAP legislation, Public Law 98-8, as amended, directs USDA to minimize any displacement problems.

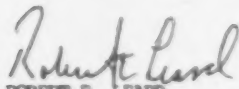
In March 1985, USDA's Economic Research Service completed an analysis of the impact that TEFAP distributions were having on commercial sales. This analysis indicated that for every 100 pounds of cheese donated through TEFAP about 20-25 pounds of cheese were not purchased commercially that would otherwise have been purchased. This analysis also indicated that for every 100 pounds of butter donated, margarine sales were expected to decline by about 86 pounds.

In establishing the donation level of 35 million pounds each month for cheese and 6 million pounds for butter, USDA balanced the concerns of commercial displacement with the need to provide a reasonable level of assistance for TEFAP. USDA was also mindful of the interaction between TEFAP distribution and dairy price supports as decreased commercial purchases result in increased Federal outlays to support the price of milk to dairy farmers.

Please be assured that this Administration is concerned about the nutritional requirements of needy Americans and we will continue to make commodities available to States as long as the surpluses exist.

We trust the information will be helpful to you.

Sincerely,



ROBERT E. LEARD
Administrator

BRUCE F. VENTO

4TH DISTRICT MINNESOTA

ATBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515
(202) 225-4631

DISTRICT OFFICE

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405 SIBLEY STREET
SAINT PAUL, MN 55101
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Congress of the United States
House of Representatives
Washington, DC 20515
February 5, 1986

HOUSE COMMITTEE ON
INTERIOR AND INSULAR AFFAIRSCHAIRMAN
SUBCOMMITTEE ON NATIONAL PARKS
AND RECREATIONHOUSE COMMITTEE ON
BANKING, FINANCE AND
URBAN AFFAIRSHOUSE SELECT COMMITTEE
ON AGING

Honorable John Block
 Secretary
 Dept. Of Agriculture
 Room 200A
 12th St. & Jefferson Dr., S.W.
 Washington, D.C., 20250

Dear Mr. Secretary:

We are contacting you on a matter of extreme importance to thousands of needy individuals in Minnesota, as well as throughout the country.

As you are no doubt aware, Minnesota is one of the states that had been receiving both processed and non-processed allocations of cheese for distribution throughout the state as authorized by the Temporary Emergency Food Assistance Program (TEFAP). We were concerned in February of 1985 when it was initially announced that the distribution of bulk surplus commodities would be discontinued, and today the serious ramifications of this action are definitely being felt in Minnesota.

Minnesota was able to continue the monthly distributions of approximately 1.5 to 2 million pounds of cheese throughout calendar year 1985. However in 1986, the distribution is occurring every other month; there was no distribution in January of this year because there simply was not enough cheese to go around. In the rural areas hit particularly hard by the farm crisis, the demand for the free commodities has increased dramatically. Ironically, farm families find it difficult to qualify for food stamps because of assets, but those assets are not liquid and cannot be spent on food.

Minnesota has had a particularly severe winter and individuals have had to transfer money from their already tight food budget to pay high energy bills.

The amount of cheese allocated under this program is largely determined by your discretionary authority, and we encourage you to reverse your decision of last February and reinstate the bulk processing distribution. If the supply of 40 pound blocks remains low, we will check into the possibility of processing the 500 pound barrels if there is an indication that these will be released for distribution.

We are aware that language in the TEFAP Act requires you to assure that commodities made available under this Act will not displace commercial sales. At the same time, the Act requires a means test for eligibility which is an adequate method to ensure that only individuals who are truly needy receive this cheese.

Unquestionably the need is growing, and as long as there is aging cheese in government warehouses, it would only be reasonable to release such available cheese to needy individuals. TEFAP is a very low-cost method by which to funnel high-protein food to needy individuals. We appreciate any assistance that you can provide on this matter and look forward to your response.

Warm regards.

Sincerely yours,

Grace Wentz

Martin O. Salo

James L. Hunter

Henry D. Barski

Glen Stangeland

King Webb

Tom Penny

Ludy Bosworth

Rene Runkler

BRUCE F. VENTO
4TH DISTRICT MINNESOTA

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Congress of the United States
House of Representatives
Washington, DC 20515
February 7, 1986

HOUSE COMMITTEE ON
INTERIOR AND INSULAR AFFAIRS

CHAIRMAN
SUBCOMMITTEE ON NATIONAL PARKS
AND RECREATION

HOUSE COMMITTEE ON
BANKING, FINANCE AND
URBAN AFFAIRS

HOUSE SELECT COMMITTEE
ON AGING

The Honorable Leon Panetta
Chairman
Subcommittee on Domestic Mark.
Consumer Rel. And Nutrition
1430 Longworth
Washington, D.C. 20515

Dear Leon:

I am contacting you again concerning the Temporary Emergency Food Assistance Program (TEFAP).

I appreciated your concern and prompt action in October in the form of a colloquy on the floor of the House during the debate on the 1985 Farm Bill. As you will recall, this was in response to the Secretary of Agriculture's decision to terminate the bulk processing contracts for cheddar cheese. At that time you expressed your concern regarding the availability of bulk cheddar cheese for processing under TEFAP and stated that it is the intent of your Subcommittee that bulk surplus commodities of cheese - processed or non-processed - be made available. Unfortunately, the Administration has not responded to this action and the distribution of bulk cheese to states has not been reinstated.

Today, the serious ramifications of the Secretary's decision to terminate the bulk distribution and subsequent lack of action to change his directive, are being felt in Minnesota. This action cuts the allocation of cheese in half in Minnesota, causing the State to distribute this cheese every other month. This comes at a time when the demand for the cheese is increasing, due in part by the farm crisis in rural America as well as extraordinarily high energy bills this winter.

The TEFAP program began as a means by which to both feed hungry Americans as well as decrease Commodity Credit Corporation (CCC) surpluses. Under Title I of the Agriculture Act of 1981, the Secretary of Agriculture was directed to use his authority to the fullest extent practicable to limit net commodity program expenditures by reducing storage costs associated with the dairy product price support program. This directive was part of the impetus behind the initiation of TEFAP. The situation remains the same today; in FY85, the Department of Agriculture spent \$33.8 million in storage costs for cheese alone. The options are clear; the federal government can pay storage costs, dump spoiled cheese, or distribute the commodities to eligible individuals.

I am asking for your assistance again and am requesting that you, as Chairman of the Subcommittee on Domestic Marketing, Consumer Relations, and Nutrition, hold a hearing to consider means by which to improve the effectiveness of TEFAP. One possibility would be to set distribution requirements for TEFAP based on CCC inventories.

I am aware that surplus commodity programs are not the answer to all of our hunger problems; however, until we can substantially decrease the need for the food assistance programs, this low-cost distribution is a good method by which to channel high protein food to needy individuals. I have enclosed a copy of a letter signed by Members of the Minnesota Congressional Delegation to Secretary Block expressing support for this program.

I appreciate any attention your Subcommittee could give to these matters.

Warm regards.

Sincerely yours,

Bruce F. Vento
Member of Congress

BFV:kan



United States
Department of
Agriculture

Food and
Nutrition
Service

3101 Park Center Drive
Alexandria, VA 22302

RECEIVED

MAR 10 1985

March 4, 1986

Honorable Bruce F. Vento
House of Representatives
Washington, D.C. 20515

Congressman Bruce F. Vento

Dear Congressman Vento:

Thank you for your recent letter concerning the allocation of bulk cheese to States under the Temporary Emergency Food Assistance Program (TEFAP).

Currently, the U.S. Department of Agriculture (USDA) is making available to States for distribution to needy persons surplus process cheese, print butter, nonfat dry milk, all purpose flour, corn meal, rice and honey. These are the only items in surplus and available for distribution to needy households at the present time.

Bulk cheddar cheese was distributed for a few months in 1983 and 1984 as part of the TEFAP allocation to States. This was done to ensure that USDA would be able to furnish all of the cheese it was committed to supply to the States each month. Meanwhile, younger block cheese inventories began to dwindle. Additionally, USDA's Economic Research Service completed an analysis which showed that the distribution of cheese under TEFAP was having a serious adverse effect on commercial sales of cheese. By law, the Secretary must minimize displacement of commercial sales. Therefore, TEFAP cutting contracts were terminated and USDA established a distribution level of 35 million pounds of cheese per month. In establishing the donation level of 35 million pounds per month, USDA was guided by the needs of low-income persons as well as the legislative requirement to minimize the displacement of commercial sales. Currently, each State is receiving its fair share of the allocation.

USDA does not plan to offer more than 35 million pounds of cheese per month nationwide for the rest of this fiscal year. Additionally, USDA does not plan to release barrel cheese for processing for two reasons. First, USDA is able to acquire sufficient quantities of process cheese to meet its entire monthly obligation of 35 million pounds. Secondly, we are concerned about commercial displacement. However, if a State refuses all or part of its allocation, USDA does offer these allotments to other States that can use them. If this situation occurs, USDA will take into consideration Minnesota's needs for additional commodities.

Your letter also mentioned farmers having difficulty qualifying for food stamps because of their assets. To be eligible to participate in the Food Stamp Program, all households must meet resource and monthly income standards and nonfinancial eligibility criteria. Property which is essential to self-employment is excluded as a resource. Self-employment

Honorable Bruce F. Vento

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income which represents a household's annual income, less certain deductible costs, is averaged over a 12-month period to determine a household's gross monthly income. Deductible costs include the costs of labor, stock, raw material, seed and fertilizer. For your information we have enclosed a fact sheet on the eligibility criteria used for farmers to participate in the Food Stamp Program. The fact sheet details the treatment of farm income and resources.

Please be assured that this Department is concerned about the nutritional requirements of needy Americans and we will continue to make assistance available to needy households.

Thank you for your interest in the food assistance programs.

Sincerely,



ROBERT E. LEARD
Administrator

Enclosure

BRUCE F. VENTO
4TH DISTRICT MINNESOTA

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Congress of the United States
House of Representatives
Washington, DC 20515

April 16, 1986

HOUSE COMMITTEE ON
INTERIOR AND INSULAR AFFAIRS

CHAIRMAN
SUBCOMMITTEE ON NATIONAL PARKS
AND RECREATION

HOUSE COMMITTEE ON
BANKING, FINANCE AND
URBAN AFFAIRS

HOUSE SELECT COMMITTEE
ON AGING

Honorable Richard Lyng
Secretary
Dept. Of Agriculture
Room 200A
12th St. & Jefferson Dr., S.W.
Washington, D.C., 20250

Dear Mr. Secretary:

We are contacting you on a matter of extreme importance to thousands of needy individuals throughout the country.

As you are aware, a number of states had been receiving both processed and non-processed allocations of cheese for distribution throughout the state as authorized by the Temporary Emergency Food Assistance Program (TEFAP). We were concerned in February of 1985 when then-Secretary of Agriculture John Block announced that the distribution of bulk surplus commodities would be discontinued, and today the serious ramifications of this action are without question being felt.

TEFAP began as a means by which both to feed hungry Americans as well as to decrease Commodity Credit Corporation (CCC) surpluses. Under Title I of the Agriculture Act of 1981, the Secretary of Agriculture was directed to use his authority to the fullest extent practicable to limit net commodity expenditures by reducing storage costs associated with the dairy support program. With a situation similar today as when the program was initiated - huge surpluses of cheese and numerous hungry individuals - we encourage you to exercise your discretionary authority and reinstate the distribution of bulk cheese.

We are aware that language in the TEFAP Act requires you to assure that commodities made available under this Act will not displace commercial sales. At the same time, the Act requires a means test for eligibility which is an adequate method to ensure that only individuals who are truly needy receive the cheese. In addition, according to USDA statistics, the purchase of cheese in recent years has not decreased, but rather has increased.

The storage, processing, and transportation of this cheese is costing the taxpayers substantial amounts of money, and unquestionably the need for this cheese is growing. As long as there is aging cheese in government warehouses, it is only reasonable to release this cheese to

needy individuals. We look forward to your prompt action and look forward to your response.

Sincerely yours,

Mike Lowry	Bruce D. Watts
Mike Syman	Thomas A. Laschle
Alan Lindine	Jed Weiss
Norm Dicks	Wesley R. Bell
Wm. J. Hill	Billy Bell
Paul Farrell	Bob Kestumee
James L. Hunter	Deane Miller
Michael O'Connell	Frank Horton
Ben Fisher	Jan Flickman

Tim Penny

Dick Dink

Gene Evans

Thomas C. Manton

Vin Zuber

Gary Ahtley

William D. Lusk

Ryan L. Dwyer

Gerald D. Klezka

Ken H. Kratz

Mary R. Lewis

Bob Lewis

Paul B. Hays

Don Bowen

Martin O. Galt

Charles T. Lee

Barbara B. Lee

Joe Dick Shandi

William H. S.

Robert J. Motson

Mr. Hall

Heidi Franklin

Dee Decker

Ann S. Horn

Harry H. McLean

Paul E. Karjowski

Peter G. Visclosky

Glenn Thompson

~~Paul~~

Ed Morrison

Vic Fagin

W. H. H. H.

W. H. H. H.

W. H. H. H.

John McCain

W. H. H. H.

Bill Oinger

Pete Stark

Gus Savage

James Arthur

Barney Stark

Harry G. G. G.

Ada Burton

Harry G. G.

Jim Hattery

Tom Beiler son

Burt A. Morrison

W. H. H. H.

Henry

April 16 signers of Vento letter to Secretary Lyng re Cheese Surplus Distribution

1. Gary Ackerman, D-NY
2. Berkley Bedell, D-Iowa
3. Anthony Beilenson, D-Calif.
4. Barbara Boxer, D-Calif.
5. Sala Burton, D-Calif.
6. Don Bonker, D-Wash.
7. William Clinger, R-PA
8. Tom Daschle, D-S.D.
9. Norm Dicks, D-Wash.
10. Joseph DiGuardi, R-NY
11. Byron Dorgan, D-ND
12. Richard Durbin, D-ILL
13. Dennis Eckart, D-Ohio
14. Lane Evans, D-ILL
15. Dante Fascell, D-Fla.
16. Vic Fazio, D-Calif.
17. Tom Foglietta, D-PA
18. William Ford, D-Mich.
19. Barney Frank, D-Mass.
20. Bill Frenzel, R-MN
21. Ben Gilman, R-NY
22. Dan Glickman, D-Kans.
23. Tony Hall, D-Ohio
24. Charles Hayes, D-ILL
25. Lee Hamilton, D-IND
26. Paul Henry, R-Mich
27. Frank Horton, R-NY
28. Paul Kanjorski, D-Pa
29. Robert Kastenmeier, D-Wis.
30. Gerald Kleczka, D-Wis.
31. Peter Kostemayer, D-Pa
32. Mickey Leland, D-TEX
33. Sander Leach, D-Mich.
34. William Lipinski, D-ILL
35. Mike Lowry, D-Wash.
36. Stan Lundine, D-NY
37. Tom Manton, D-NY
38. Robert Matsui, D-Calif.
39. John McCain, R-Ariz.
40. George Miller, D-Calif.
41. Sid Morrison, R-Wash.
42. Bruce Morrison, D-Conn.
43. Jim Oberstar, D-MN
44. Major Owens, D-NY
45. Don Pease, D-Ohio
46. Tim Penny, D-MN
47. Eldon Rudd, R-Ariz
48. Martin Sabo, D-MN
49. Gus Savage, D-Ill.
50. Gerry Sikorski, D-MN
51. Arlan Stangeland, D-MN
52. Pete Stark, D-Calif.
53. Al Swift, D-Wash.
54. Mike Synar, D-Okla.
55. Mo Udall, D-Ariz.
56. Bruce Vento, D-MN
57. Peter Visclosky, D-Ind.
58. Webb Franklin, R-Miss.
59. Vin Weber, R-MN
60. Ted Weiss, D-NY
61. Howard Wolpe, D-Mich.
62. George Wortley, R-NY
63. Dale Kildee, D-Mich.
64. Jim Slattery, D-Kans.
65. Sam Gejdenson, D-Conn.
66. Tom Foley, D-Wash.
67. George Crockett, D-Mich.

TESTIMONY OF

JOE SAMARGIA, COMMISSIONER

MINNESOTA DEPARTMENT OF JOBS AND TRAINING

MR. CHAIRMAN, I AM JOE SAMARGIA, COMMISSIONER OF THE MINNESOTA DEPARTMENT OF JOBS AND TRAINING. THANK YOU FOR THIS OPPORTUNITY TO APPEAR BEFORE YOUR SUBCOMMITTEE TO SHARE WITH YOU AND THE OTHER MEMBERS OF YOUR PANEL MINNESOTA'S EXPERIENCE WITH THE SURPLUS CHEESE COMMODITY PROGRAM OPERATED UNDER THE TEMPORARY EMERGENCY FOOD ASSISTANCE PROGRAM (TEFAP). I APPRECIATE YOUR INTEREST IN OUR SITUATION.

MINNESOTA IS ONE OF THE STATES THAT HAD RECEIVED BOTH PROCESSED AND NON-PROCESSED ALLOCATIONS OF CHEESE FOR DISTRIBUTION THROUGHOUT THE STATE AS AUTHORIZED BY THE TEFAP. IN FEDERAL FISCAL YEAR 1984, MINNESOTA RECEIVED 6.5 MILLION POUNDS OF PROCESSED CHEESE AND 6.4 MILLION POUNDS OF BULK CHEDDAR CHEESE. MINNESOTA CONTRACTED WITH A PROCESSING PLANT TO CUT THE BULK CHEDDAR INTO TWO-AND FIVE-POUND BLOCKS, WHICH THEN WERE DISTRIBUTED MONTHLY TO TEFAP-ELIGIBLE MINNESOTANS, SOUP KITCHENS AND FOOD SHELVES. IN 1984, 182,000 HOUSEHOLDS IN MINNESOTA RECEIVED MONTHLY ALLOCATIONS OF CHEESE THROUGH THE TEFAP PROGRAM. TO BE ELIGIBLE IN MINNESOTA IN 1984 FOR THE TEFAP CHEESE, A PERSON HAD TO MEET ONE OF SEVERAL CRITERIA -- THEY HAD TO HAVE A HOUSEHOLD INCOME AT OR BELOW 150 PERCENT OF POVERTY OR BE UNEMPLOYED OR BE ELIGIBLE FOR AFDC, FOOD STAMPS, GENERAL ASSISTANCE, TITLE XX, LOW-INCOME HOME ENERGY ASSISTANCE OR ANOTHER FORM OF PUBLIC ASSISTANCE. THE STATE OF MINNESOTA CONTRACTS WITH 28 COMMUNITY ACTION AGENCIES, 8 INDIAN RESERVATIONS, 1 MIGRANT COUNCIL, AND 1 VOLUNTARY NONPROFIT ORGANIZATION TO DISTRIBUTE SURPLUS FOOD AT 666 DISTRIBUTION SITES WITH THE ASSISTANCE OF APPROXIMATELY 7,000 VOLUNTEERS.

IN 1985, MINNESOTA RECEIVED 7.9 MILLION POUNDS OF PROCESSED CHEESE. OUR BULK CHEDDAR ALLOCATION DROPPED TO 1.2 MILLION POUNDS, A CUT OF 81 PERCENT. THE TOTAL ALLOCATION OF CHEESE RECEIVED BY MINNESOTA DECREASED BY 30 PERCENT. EXTRA AMOUNTS OF CHEESE FOR LARGE HOUSEHOLDS HAD TO BE CURTAILED.

-2-

ALL HOUSEHOLDS, REGARDLESS OF SIZE, RECEIVED ONE BLOCK. BY MID-1985, FOOD SHELVES AND FOOD BANKS, WHICH RECEIVED SMALL AMOUNTS OF CHEESE FOR EMERGENCY SITUATIONS, COULD NO LONGER BE ALLOWED ANY CHEESE. APPROXIMATELY 400 HOUSEHOLDS PER MONTH WERE UNABLE TO RECEIVE SURPLUS COMMODITIES FROM EMERGENCY FOODSHELVES.

DURING THIS SAME PERIOD, DEMAND FOR FOOD FROM THE STATE'S FOODBANKS AND FOOD SHELVES WAS INCREASING RAPIDLY AS WAS THE NUMBER OF HOUSEHOLDS ELIGIBLE FOR TEFAP COMMODITIES. IN 1985, THERE WERE 886,440 VISITS TO FOOD SHELVES IN MINNESOTA, 150,000 MORE VISITS THAN IN 1984 AND 60,000 MORE THAN HAD BEEN PREDICTED AT THE START OF THE YEAR. THE INCREASED DEMAND FOR SURPLUS COMMODITIES WAS EVEN MORE DRAMATIC IN RURAL AREAS OF MINNESOTA, WHERE THE FARM CRISIS IS REALLY THAT -- A CRISIS. MINNESOTA EXPECTS TO LOSE 10,000 FAMILY FARMS THIS YEAR AND GROWING NUMBERS OF FARM FAMILIES ARE NOW ELIGIBLE FOR TEFAP COMMODITIES. THE MINNESOTA DEPARTMENT OF COMMERCE AND INDUSTRY REPORTS THAT SEVEN RURAL MINNESOTA BANKS HAVE FAILED IN THE PAST TWO YEARS AND 50 MORE ARE ON THE TROUBLED LIST.

IN RURAL MINNESOTA, THE NUMBER OF VISITS TO FOOD SHELVES INCREASED MORE THAN 200 PERCENT IN 1985. SHARON VANGSNESS, RESOURCE COORDINATOR OF THE MINNESOTA FOODBANK NETWORK, TOLD ME RECENTLY, "THE NUMBERS ARE GETTING SO ENORMOUS THAT WE FEAR THE CHARITY FOOD SYSTEM MAY NOT REMAIN VIABLE. FOOD SHELVES MAY WELL BE RUNNING OUT OF FOOD IN THE MONTHS TO COME."

MS. VANGNESS' PREDICTION HAS ALREADY COME TRUE. THIS PAST FEBRUARY, 400 INDIVIDUALS WERE TURNED AWAY FROM A FOOD BANK IN DULUTH BECAUSE IT HAD RUN OUT OF FOOD. AND MORE RECENTLY, TWO FOOD SHELVES IN THE CROOKSTON AREA HAD TO

-3-

REDUCE THEIR HOURS FROM 5 DAYS A WEEK TO ONLY 3 BECAUSE THEY DID NOT HAVE ENOUGH FOOD.

DESPITE THIS GREAT INCREASE IN DEMAND IN MINNESOTA FOR TEFAP COMMODITIES, OUR CHEESE ALLOTMENT WAS CUT BY U.S.D.A. FROM THE 12.9 MILLION POUNDS RECEIVED IN 1984 TO 9.1 MILLION POUNDS IN 1985. THIS YEAR, WE EXPECT TO RECEIVE ONLY 6.2 MILLION POUNDS AND, CONSEQUENTLY, MINNESOTA IS DISTRIBUTING COMMODITIES EVERY OTHER MONTH INSTEAD OF EVERY MONTH. THERE WAS NO DISTRIBUTION OF COMMODITIES THIS PAST JANUARY OR MARCH.

THE CITIZENS OF MINNESOTA HAVE, I BELIEVE, RESPONDED IN A MOST GENEROUS AND POSITIVE WAY TO THE NEEDS OF THE HUNGRY IN OUR STATE. EARLIER THIS YEAR GOVERNOR RUDY PERPICH ANNOUNCED A "LET'S STOP HUNGER IN MINNESOTA" CAMPAIGN, LED BY A STEERING COMMITTEE OF STATE BUSINESS AND COMMUNITY LEADERS. MINNESOTA CORPORATIONS, FOUNDATIONS, CIVIC GROUPS AND INDIVIDUALS HAVE BEEN ENCOURAGED TO JOIN THIS "OPEN YOUR HEART" DRIVE TO HELP STOCK THE FOOD SHELVES IN THE STATE WHICH HAVE BEEN DEPLETED BY THE TREMENDOUS DEMAND I JUST CITED. IN ADDITION, THE MINNESOTA FOODSHARE, A FOOD COLLECTION NETWORK SPONSORED BY THE RELIGIOUS ORGANIZATIONS OF MINNESOTA, COLLECTED 3 MILLION POUNDS OF FOOD FOR STATE FOOD SHELVES.

DESPITE GREAT PRIVATE-SECTOR EFFORTS, WE CANNOT MAKE UP FOR THE CUT IN HIGH-PROTEIN FOOD PROVIDED BY U.S.D.A. THROUGH TEFAP. THERE HAVE BEEN MANY REQUESTS TO HAVE OUR CHEESE ALLOCATION RESTORED. ON FEBRUARY 5 OF THIS YEAR, THE MINNESOTA CONGRESSIONAL DELEGATION WROTE U.S.D.A. SECRETARY JOHN BLOCK AND

-4-

ASKED HIM, IN LIGHT OF THE HUGE STOCKPILES OF CHEESE IN U.S.D.A. STOREHOUSES, TO RESTORE THE CUTS MADE IN MINNESOTA'S CHEESE ALLOTMENT. LATER IN FEBRUARY, GOVERNOR RUDY PERPICH WROTE TO PRESIDENT REAGAN, ALERTING HIM TO THE NEED IN MINNESOTA FOR ADDITIONAL CHEESE AND ASKING HIM TO DIRECT U.S.D.A. TO MAKE ADDITIONAL QUANTITIES OF CHEESE AVAILABLE TO OUR STATE. FINALLY, ON FEBRUARY 26, TWO OF MY STAFF, AS WELL AS TWO MEMBERS OF GOVERNOR PERPICH'S STAFF, MET PERSONALLY WITH ASSISTANT SECRETARY JOHN BODE TO MAKE A PLEA FOR ADDITIONAL CHEESE.

MY PRESENCE HERE THIS MORNING GIVES A CLUE, I BELIEVE, TO HOW OUR REQUESTS FARED. THE DEPARTMENT'S RESPONSE TO THE CONGRESSIONAL DELEGATION'S REQUEST STATED THAT U.S.D.A. HAD SET A NATIONAL MONTHLY DISTRIBUTION LEVEL OF 35 MILLION POUNDS AND THAT "U.S.D.A. DOES NOT PLAN TO OFFER MORE THAN 35 MILLION POUNDS OF CHEESE PER MONTH NATIONWIDE FOR THE REST OF THIS FISCAL YEAR." IT ALSO CITED U.S.D.A. CONCERNS OF COMMERCIAL DISPLACEMENT OF CHEESE. GOVERNOR PERPICH HAS NOT YET RECEIVED A RESPONSE TO HIS LETTER TO THE PRESIDENT, SO I AM NOT ABLE TO SHARE WITH YOU THE VIEWS OF THE WHITE HOUSE ON THIS PROBLEM.

MINNESOTA ALSO RECEIVED A NEGATIVE RESPONSE FROM ASSISTANT SECRETARY BODE DURING THE MEETING WITH HIM. AGAIN, THE ISSUE OF COMMERCIAL DISPLACEMENT WAS RAISED AS A JUSTIFICATION FOR STOCKPILING, RATHER THAN RELEASING, THE CHEESE. MR. BODE CITED A STATISTICAL STUDY CONDUCTED BY U.S.D.A. WHICH PROVED, HE SAID, THAT THE CHEESE DISTRIBUTION PROGRAM UNDER TEFAP WAS RESPONSIBLE FOR COMMERCIAL DISPLACEMENT AT A RATE OF 20 PERCENT. MINNESOTA'S DISTRIBUTION PROGRAM WAS ALSO CRITICIZED ON THE GROUNDS THAT ITS ELIGIBILITY

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STANDARDS WERE TOO LIBERAL.

MR. CHAIRMAN, YOU AND I BOTH KNOW THAT ANY STATISTICAL STUDY CAN PROVE ANYTHING YOU WANT, SO LONG AS ONE IS WILLING TO PLAY WITH THE NUMBERS. THE STAFF IN MY DEPARTMENT'S DIVISION OF STATISTICAL RESEARCH TOLD ME, AFTER REVIEWING A COPY OF U.S.D.A.'S DISPLACEMENT STUDY, THAT THE NUMBER CRUNCHERS IN U.S.D.A. MUST HAVE HAD TO PLAY A LONG TIME TO GET THE ANSWERS IT APPEARS THEY WERE LOOKING FOR. AND EVEN THEN, MR. CHAIRMAN, U.S.D.A.'S DISPLACEMENT STUDY HAS NOT ONE WORD ON COMMERCIAL DISPLACEMENT OF CHEESE SALES IN THE STATE OF MINNESOTA. IN FACT, THE STUDY DOES NOT SITE REDUCED SALES IN ANY STATE. U.S.D.A.'S STUDY ON CHEESE DOES TALK A GREAT DEAL ABOUT TUNA FISH, HOWEVER, I AM NOT CONVINCED THAT TUNA FISH ADDS A GREAT DEAL TO THIS DEBATE ON CHEESE SINCE TUNA FISH AND CHEESE DIFFER IN MANY WAYS, INCLUDING WHAT FOOD GROUPS THEY BELONG TO, THE RETAIL PRICE OF THE TWO, AND THE WAYS IN WHICH EACH CAN BE PREPARED.

ALSO, MR. CHAIRMAN, DATA RELEASED BY THE ANIMAL PRODUCTS BRANCH OF THE NATIONAL ECONOMIC DIVISION OF THE U.S.D.A. REVEAL THAT RETAIL SALES OF DOMESTIC CHEESES, INCLUDING CHEDDAR, HAVE INCREASED IN RECENT YEARS BY AS MUCH AS EIGHT PERCENT. SALES OF SO-CALLED "NON-AMERICAN" CHEESES, SUCH AS SWISS, MUENSTER, MOZZARELLA AND THE LIKE, HAVE ALSO INCREASED.

THESE HARD NUMBERS FROM THE U.S.D.A. ARE PERHAPS THE BEST RESPONSE TO THE 20 PERCENT DISPLACEMENT EXCUSE USED BY THE FOOD AND NUTRITION SERVICE.

IN FACT, SOME OBSERVERS BELIEVE THAT THE TEFAP PROGRAM INCREASES CHEESE SALES IN A MANNER SIMILAR TO GETTING A FREE SAMPLE IN THE MAIL. HOUSEHOLDS WHICH PREVIOUSLY USED LITTLE OR NO CHEESE FIND THAT CHEESE IS A

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TASTY AND NUTRITIOUS ADDITION TO HOUSEHOLD MEALS AND, WHEN FAMILIES MOVE INTO FINANCIALLY MORE STABLE CIRCUMSTANCES, CHEESE STAYS ON THE GROCERY SHOPPING LIST. AT LEAST ONE REGIONAL U.S.D.A. DIRECTOR HAS TOLD STATE TEFAP STAFF THAT HE BELIEVES THAT THE TEFAP PROGRAM INCREASES CHEESE SALES AND I THINK ORDINARY COMMON SENSE TELLS US THAT THIS IS SO. THIS DIRECTOR, WHO DOES NOT WISH TO BE IDENTIFIED, ALTHOUGH I WILL SAY IT IS NOT THE REGIONAL U.S.D.A. DIRECTOR WHO DEALS WITH MINNESOTA, NOTED THAT INFORMATION ON CHEESE PROVIDED BY U.S.D.A., SUCH AS "101 WAYS TO USE CHEESE", AND BILINGUAL RECIPES USING CHEESE, HAVE INCREASED THE AWARENESS OF PARTICIPANTS IN THE TEFAP PROGRAM TO THE BENEFITS OF CHEESE. THIS DIRECTOR ALSO POINTED OUT THAT CHEESE IS A HIGH-PROTEIN FOOD WHICH VIRTUALLY ALL CHILDREN ENJOY.

IN SUMMARY, MR. CHAIRMAN, I AM ASKING YOUR HELP IN RESTORING WHAT WE HAD IN SURPLUS COMMODITY CHEESE BECAUSE THE NEED IS GROWING, THE VOLUNTEER SECTOR IS STRETCHED TO ITS LIMITS AND CHEESE IS AVAILABLE. THERE IS NO JUSTIFICATION FOR PAYING MILLIONS OF DOLLARS ANNUALLY FOR THE STORAGE OF CHEESE WHEN THERE ARE PEOPLE WHO NEED IT. THANK YOU AGAIN FOR THE OPPORTUNITY TO TESTIFY HERE TODAY. I AM HAPPY TO ANSWER ANY QUESTIONS WHICH YOU OR OTHER MEMBERS OF THE SUBCOMMITTEE MAY HAVE.

#

(Attachments follow:)



RUDY PERPICH
GOVERNOR

STATE OF MINNESOTA

OFFICE OF THE GOVERNOR

ST. PAUL 55155

February 11, 1986

The Honorable Ronald Reagan
President of the United States
The White House
Washington, D.C. 20500

Dear Mr. President:

I am writing to express my deep concern on a matter that affects thousands of needy individuals and families in Minnesota as well as across our nation -- the reduction of surplus cheese through the Temporary Emergency Food Assistance Program (TEFAP).

I know that you share my concern about the plight of America's hungry and support efforts to alleviate this problem in an efficient manner. One such cost-effective program is TEFAP, which distributes surplus commodity products to low-income households. Unfortunately, the Department of Agriculture has cut the allotment of these products to the state agencies and private voluntary organizations which administer the program. In 1986, Minnesota will have its effective allotment of cheese cut by 50 percent.

This drastic cutback comes at a perilous time for Minnesotans. The farm crisis has hit rural families particularly hard. My state expects to lose 10,000 family farms this year to foreclosures. Food bank visits in the rural areas of Minnesota have increased over 200 percent in the past twelve months. These food banks rely heavily on surplus cheese allotments. In Minnesota, the TEFAP program currently serves 178,000 households every other month through food banks and private organizations. Monthly allotments have ended because the U.S.D.A. has failed to provide cheese to the state.

Despite the great demand for this cheese, the U.S.D.A. had nearly 600 million pounds of cheese in storage as of December 31, 1985. The Federal government spent \$19.5 million just for the cost of storing this surplus cheese in 1985. By distributing, rather than storing this surplus cheese, the Federal government has saved over \$52 million in storage costs since the TEFAP program began. These savings will be lost in this and coming years if the U.S.D.A. continues to stockpile, rather than distribute, this cheese.

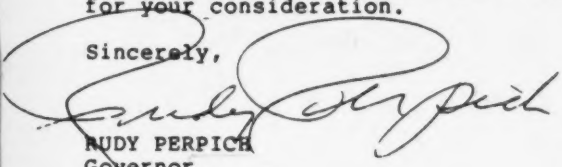
AN EQUAL OPPORTUNITY EMPLOYER

President Ronald Reagan
page 2

Those that receive surplus cheese are needy, and cannot afford to purchase cheese through retail vendors, lending little credence to the claims of some of commercial displacement. In fact, food bank officials have noted that private sector cheese sales may actually be stimulated by TEFAP, as households who had not previously included cheese in their menus have now begun to do so. Neither the State of Minnesota nor private organizations in Minnesota which dispense TEFAP commodities have received complaints from the private sector that sales have decreased due to the cheese issued through the TEFAP program.

As the number of households in poverty in Minnesota increases, I believe it is essential that the Federal government and State of Minnesota work together to help ease their plight. Given that increasing the amounts of cheese distributed through the TEFAP program will reduce Federal government storage costs while helping meet the nutritional needs of poor households, it is clear to me that such an increase is prudent in both fiscal and health terms. It is within your authority to restore Minnesota's cheese allotments for the TEFAP program and I ask that you take prompt action to overturn the U.S.D.A.'s reductions. Thank you for your consideration.

Sincerely,



RUDY PERPICH
Governor

Heavy demand depleting food shelf supplies

By Randy Furest
Staff Writer

FoodShelf use reached record highs in Minnesota in 1985 and early indications show the demand may be increasing this year.

State food shelves are reporting record turnouts in January, and some agencies around the state say they have never seen such heavy demand for free commodities such as cheese and butter, that are distributed to low-income people.

A monthlong drive to collect 3 million pounds of food, or its equivalent in cash, will be launched Friday by Minnesota FoodShare to aid the state's food shelves. The goal is 1 million pounds above last year's.

Final figures, released Friday, show 588,440 visits to food shelves in 1985 in Minnesota, 80,000 more than predicted.

"The numbers are getting so enormous that we fear that the charity food system may collapse," said Oryana Havel, director of Minnesota FoodShare, which is sponsored by religious organizations in the state. "Food shelves may well be running out of food."

Food continued on page 6A



Staff Photo by Storm Greener

Mary Underferth picked up food for her family at a VFW Post in Richfield. "It makes a difference," she said.

Minneapolis Star Tribune

Food

Continued from page 1A

out of food in the months to come."

Sabalham Community Center food shelf, 310 E. 38th St., one of largest food shelves in the state, aided 925 food holders in the month of January, said Carissa Walker, center director of emergency services.

She said the demand has been created because people are facing high utility bills, running out of unemployment insurance or have been cut from general assistance welfare.

Of 23 of 28 food shelves counted, Emergency Food Shelves of Hennepin County aided 7,625 people last month. The most for any January, said Noelle MacMillan, the group coordinator.

Joe Samargia, state jobs and training commissioner, predicts the demand for help will grow, especially in the state's farming areas. "Between the Gramm-Rudman law in Washington and the proposed cuts in the (state) house, we could have a disastrous situation in Minnesota," he said.

The 3 million pound FoodShare drive for food and cash occurs in March, involving churches, synagogues, employee food drives and some schools and civic groups. Organizers hope to raise 1 million pounds in food company donations.

Tidwell said FoodShare recommends that donations go directly to a food shelf in the community, but a check can be sent to Minnesota FoodShare, Room 318, 221 W. Washington Ave., Minneapolis, Minn. 55404. Information is available by calling 870-3660.

Because of federal cuts, for the first time the state is distributing agricul-

tural commodities every other month, rather than monthly. There was no distribution in January.

Commodity cuts increase demands for food and shelter, said Madeline Rochelle, coordinator of the emergency assistance program for the Jobs and Training department. Low-income people are essential food for commodities, she said.

Commodities were given to 6,700 households in Duluth this month, but the food ran out and 400 people were turned away.

The economic situation "is bad and sad looking," said Jim Dwyer, director of Duluth's Center for the Homeless, which runs the distribution. "There's a lot of need and a lot of new people who are now eligible for commodities. They are people who have had their hours cut, or their pay cut, or maybe lost a job or ran out of unemployment."

Tri-County Community Action Program in Little Falls gave commodities to 12,000 households this month, but ran out at many sites, said program worker Verna Toesyan.

Fewer people sought commodities at Capitol Community Services in St. Paul. Officials blame it on confusion caused by bimonthly distribution and bad weather. Still, the agency's three food shelves served a record number of families in January.

Fewer people turned out at some sites for commodities in Carver and Scott counties. Now that it's every other month, people are having trouble communicating with people about when it's supposed to be," said Carolyn Jensen, Carver County community organizer. Even so, the Scott County food shelf aided 285 house-

holds in January, a record.

Many in line for commodities are elderly or have children. Martha Loomis, 86, Richfield, is unhappy that commodities are distributed only once a month. "I don't know if I can go to food Tuesday where she came for food Tuesday," she said. "I think they starve people a little more. We've got starving people here."

People who use state shelves visit them four times a year on average, so 886,440 visits in 1985 represent more than 271,000 people, said Sharon Vangness, head of Minnesota Foodbank Network, a food-bank coalition supplying food to 270 shelves. There were 737,277 visits to shelves in 1984.

Vangness said Willmar's shelf helped 371 people in January 1985 and 418 last month. Litchfield's shelf aided 56 families in January 1985 and 66 last month. Wabasha's shelf aided 32 people in 1985's first quarter, 28 last month. Rushford's shelf helped 121 in 1985's first quarter, 170 last month. Pine Island's shelf aided 129 in 1985's first quarter, 187 last month.

Murray County's shelf in southwest-ern Minnesota helped 36 families in 1984, 228 in 1985, many of whom were farmers.

The increased need has some officials worried. "What concerns me is that it seems as if people think charity can supply the needs of people," said FoodShare's Tidwell. "The charity response is simply not adequate."

She favors a national public policy that all Americans have adequate food and said government, not charity should handle essential social programs.

Commissioner Samargia, whose department strongly backs food shelves, said the answer to hunger is not a volunteer food shelf system.

"It's a Band-Aid," he said. Government should operate a system that takes care of the needs of people in dire situations, he said.

Dan Gustafson, state AFL-CIO president, predicts longer lines at food shelves.

"Any time you have a system that is so tight and so demanding that only 28 percent of the unemployed workers in Minnesota receive monthly unemployment benefits they have to go some place," he said. "They end up going to the food shelves or church organizations."

Leonard Levine, state human services commissioner, predicts conditions facing the poor will be worse this year than in the past several years.

FoodShare and other voluntary programs can't handle the load, he said. "What originally was intended as a temporary network is beginning to break apart."

The Minnesota Association of Commerce and Industry, which represents both small and large businesses and chambers of commerce, prefers that at first, private initiative deal with hunger problems.

"Before the public sector acts, let's test the depths of the private responses," said Mark Anderson, general counsel for the association. "I think if the private sector is asked, the private sector will respond. Minnesota companies have bent over backwards in responding to true needs and will continue to do so."

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RECREATION
MINING AND NATURAL
RESOURCES

TESTIMONY OF THE HON. JAIME B. FUSTER

BEFORE HOUSE SUB COMMITTEE ON DOMESTIC MARKETING,

CONSUMER RELATIONS AND NUTRITION, OF THE AGRICULTURE COMMITTEE

April 16, 1986

Mr. Chairman, distinguished members of the Sub-Committee:

I appear before you on behalf of the 3.5 million American citizens who live in Puerto Rico, whom I represent in the U.S. Congress, to request your support for the budgetary recommendations approved last February by the House Interior and Insular Affairs Committee regarding Nutrition Assistance to P.R. To put such recommendations in perspective, let me briefly review the history of P.R.'s Nutrition Assistance Program (NAP).

In FY 1982 Puerto Rico was taken out of the national Food Stamp Program and was granted a special nutritional assistance block grant at a funding level 25% below what the island was receiving then. At that time, Puerto Rico had to remove approximately 100,000 needy families from the island's assistance rolls in order to adjust to the substantial reduction in funding. Puerto Rico also had to decrease the amount of aid provided to the very needy that remained in the assistance rolls. Thus, while an indigent family of four in the mainland can get maximum monthly benefits of \$264, and qualify for assistance even with an income as high as \$13,260 a year, an island family of four only gets an average of \$165 a year and it qualifies for no aid if its income exceeds \$8,000 a year.

Puerto Rico accepted this huge and unfair reduction in nutrition assistance funds in part because it seemed at that time that the amount of the block grant was minimally fixed and the needy U.S. citizens in Puerto Rico could count on it with certainty.

For five fiscal years after its establishment, from 1982-1986, the Puerto Rico Nutrition Assistance Program was not granted any increase for inflation, despite the fact that food costs in Puerto Rico are higher than those in the mainland and despite the fact that such higher food costs grew annually all those years at a rate that was also higher than that of the mainland. As if the substantial reduction in funds ordered in 1981 had not been enough, the NAP legislation never provided for cost of living adjustments, even though such COLA'S did exist for the National Food Stamp Program. Puerto Rico indeed had been treated to a double whammy and over five years the accumulated increase in food costs have substantially diminished the buying power of an already substantially reduced nutrition assistance program. If the reduced block grant remains frozen, it will provide 41% less for food purchases in FY '87 than what the Puerto Rican needy would have obtained if Puerto Rican participation in the National Food Stamp Program had not been replaced in 1982 with the capped and unadjusted block grant.

This gross inequity was made even more unfair just last December when Congress at the last hour enacted P.L. 99-190 imposing a 0.6% cut on the NAP block grant, reducing it to \$820.0 million. This has led to an immediate readjustment by which those families

receiving an average of \$165 a month for their food needs will receive \$6.35 less. Needless to say, to families living in extreme penury, such reductions are major hurdles that prevent an adequate nutrition and a standard of living that can assure them some dignity.

In assessing the fairness of our claim, it is necessary to keep in mind that after an 88-year long legal relationship between the island and the mainland, and despite the substantial economic development, particularly during the 1950's and the 60's, U.S. citizens in Puerto Rico still remain the poorest group within the American population. Per capita personal income is far below mainland levels, amounting to one third of the level for the U.S. generally and to half the level of the poorest of the 50 states. Mean family income for all the families in Puerto Rico is only slightly above the U.S. poverty level. Unemployment in Puerto Rico has remained over 15% since 1975 and has been over 20% since 1982, recently going up as high as 24%. Close to 50%--49% of households and 42.2% of individuals--of the population of the island is currently participating in the food nutrition program. Approximately half of the families participating in the program in 1984 had a total income of \$2,000 or less. Economic growth since the early '70's has been nearly null and net out migration from Puerto Rico to the mainland has been growing steadily over the last decade and a half.

In spite of the very dire economic circumstances of the island, Puerto Rico does not participate at all in several major federal assistance programs, such as General Revenue Sharing and the Supplemental Security Income; and participates only to a limited extent in various important federal programs for the needy such as

AFDC, Medicaid, Medicare, and others. These exclusions are particularly unfortunate because those in poverty in the island disproportionately comprise the elderly, children under 18, and single-parent female-headed families.

The bottom line is that the poor Americans who live in Puerto Rico not only get food assistance that is grossly inadequate to meet their nutritional needs but that they also suffer discrimination that other poor Americans in the mainland do not experience. In these circumstances it would really be inexcusable to increase their burden by keeping the Puerto Rico Nutritional Assistance Program (NAP) frozen. As you know, the President has requested the elimination of the COLA increases for NAP. I urge your Subcommittee to support a restoration of the 1986 funding level to what it was in 1985 and urge the appropriation of the funding levels called for and enacted into law with the passage of the Food Security Act of 1985 which you were instrumental in passing. That act provides for a modest 3% increase in the block grant to partially offset the reductions in buying power suffered by NAP due to inflation.

On behalf of the poorest of the poor in the Nation, I request your support for these petitions, that already have the backing of the House Interior and Insular Affairs Committee.

TESTIMONY OF ROBERT E. LEARD
ADMINISTRATOR, FOOD AND NUTRITION SERVICE
U.S. DEPARTMENT OF AGRICULTURE
BEFORE THE
SUBCOMMITTEE ON DOMESTIC MARKETING, CONSUMER
RELATIONS, AND NUTRITION
HOUSE AGRICULTURE COMMITTEE
APRIL 16, 1986

Mr. Chairman, and Members of the Subcommittee, thank you for today's opportunity to present the Administration's budget proposals for Fiscal Year 1987. We would be pleased to work closely with Members of the Subcommittee in the days ahead as we press forward to meet the challenge of providing assistance to those in need while bringing federal spending under control and thereby removing the last remaining obstacle to a future of growth and prosperity.

I am accompanied today by Mr. Chris Martin, our Acting Deputy Administrator for Family Nutrition Programs and by Mr. George Braley, our Deputy Administrator for Special Nutrition Programs.

The President's 1987 Federal Budget is now before you. It is designed to accomplish four key goals:

- It will preserve benefits for those truly in need;

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- It will provide for the national defense;
- It will not raise taxes; and
- It will meet the \$144 billion deficit target called for by the Gramm-Rudman-Hollings Law.

The proposed budget will protect essential programs for low-income families and it will not cut social security.

Before describing the Administration's proposals for food stamps and commodity distribution, I want to mention the context in which these programs are administered.

The Food and Nutrition Service (FNS), through State and local agencies, administers a wide range of programs which provide food assistance to individuals. These programs are designed to help meet family food needs, the food needs of individuals with special nutritional requirements, and the food needs of persons in certain institutional settings. Programs administered by FNS include:

- The Food Stamp Program
- The Puerto Rico Nutrition Assistance Grant
- The National School Lunch Program
- The School Breakfast Program
- The Special Milk Program
- The Child Care Food Program

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- The Summer Food Service Program for Children
- The Nutrition Education and Training Program
- The Special Supplemental Food Program for Women,
Infants and Children (WIC)
- The Commodity Supplemental Food Program
- The Temporary Emergency Food Assistance Program
- The Nutrition Program for the Elderly
- The Needy Family Program on Indian Reservations and the
Trust Territory
- Commodities for Charitable Institutions

The magnitude of the federal food assistance effort is dramatized by the Fiscal Year 1985 record. During that year, about \$20 billion in food assistance was provided. Under the Food Stamp Program, our largest nutrition effort, approximately 20 million people a month received benefits, valued at \$10.7 billion. During the course of the year, approximately 35 million persons were served by the Food Stamp Program. The Food Stamp Program is responsive to changing economic conditions. The program grew to serve 22.6 million persons in March of 1983, but as the economy improved, participation declined to 19.5 million in November, 1985. The Food Stamp Program is indexed to the cost of food so the real purchasing power of food stamps is maintained over time.

During Fiscal Year 1985, about 934 million pounds of commodities worth approximately \$1 billion were distributed to needy persons. In addition, the Commodity Supplemental Food Program (CSFP) recorded an average 1985 monthly participation of 158,609 persons at an annual cost of \$46.7 million in 28 sites, including three elderly Pilot Projects, in 12 states and the District of Columbia.

It must be remembered that these programs, which are of particular interest to the Committee, are complemented by a variety of Federal, State, and local programs, both public and private, serving low-income persons.

Food Stamp Proposals

We propose an amendment to the Food Stamp Act to eliminate from consideration as shelter expenses for purposes of determining the excess shelter expense deduction any payments made under the Low Income Home Energy Assistance Act (LIHEAA). Under the proposal, such expenses would not be deductible whether the LIHEAA payment was made in cash directly to the household or paid to a third party, such as an energy supplier. This would restore consistency to the treatment of expenses met with LIHEAA payments. This proposal does not change current policy. Savings in Fiscal Year 1987 would be \$68 million.

The Administration proposes to make three changes in the work requirements contained in P.L. 99-198. First, applicants

subject to work registration would be required to meet job search requirements. This proposal reflects the commonly-accepted belief that employable people requesting aid should help to reduce the need for that aid by working. Second, the proposal would enhance the employment and training programs by establishing uniform, nationwide performance standards. It would require that at least 25 percent of individuals be subject, by statute, to the work requirements for each month of Fiscal Year 1987, 50% during each month of FY 88, and 75 percent monthly beginning October 1, 1988. We believe this proposal would encourage all State agencies to make equal efforts to bring about the success of the new employment and training program, and it would escalate slowly to a reasonable proportion of the target population. Third, the proposal would limit 100 percent federal funding of State agencies' employment and training programs to \$30 million in Fiscal Year 1987; any additional costs would be funded at 50 percent. This entire work requirements proposal would save \$66 million in Fiscal Year 1987.

We propose to amend the Food Stamp Act to prevent the May 1, 1986 increase to 20 percent in the earned income deduction required by P.L. 99-198, thus retaining the current 18 percent earned income deduction. Current data suggest that average work expenses of food stamp households are about 15 percent of earned income. A deduction set at 18 percent is therefore adequate to cover the average work expense of households participating in the

Food Stamp Program. This proposal would save \$57 million in 1987.

In addition, the Administration proposes to retain the current Food Stamp Program limitations on resources. P.L. 99-198 would raise the resource limit for most households from \$1,500 to \$2,000 and would extend the higher limit of \$3,000 for households of two or more persons, at least one of whom is elderly, to an elderly person living alone. Deleting these changes will save \$77 million in 1987. We believe this proposal is prudent since the change enacted in P.L. 99-98 would result in higher-resource households qualifying for Federal food assistance. Currently, the Food Stamp Program's resource limits are higher than the limits of most other assistance programs. The current limits are not unduly restrictive for most needy households since a household's home, personal belongings, and most vehicles are exempt from the resources test.

The Administration proposes to amend the Food Stamp Act to repeal two amendments contained in P.L. 99-198 that will affect the excess shelter expense/dependent care deduction. Our proposal would retain the current limits on the shelter deduction until the end of Fiscal Year 1986, when they would be adjusted in accordance with established procedures. Also, it would delete the scheduled separation of the dependent care deduction from the excess shelter expense deduction. We believe the present limits

on shelter expense provide a sufficient deduction for the average food stamp household, and we are convinced that separation of the dependent care deduction from the shelter deduction would complicate program administration. This proposal would save \$55 million in 1987.

The Administration proposes to revise the error rate liability system so that State agencies would bear the fiscal responsibility of their overpayment errors in excess of the 5 percent threshold. The present liability system ties error rate liability to administrative costs and bears no relation to the true cost to the Federal Government of total errors or to each State agency's contribution to error-rate losses. The Administration's proposal operates so that the cost of excessive errors will be borne by those State agencies with excessive errors in equitable proportions. This is appropriate since State agencies are responsible for administering the Food Stamp Program and are in a position to control errors. The proposal would save \$11 million in 1987. As a result of improved program administration, larger savings would be realized in later years.

The Administration proposes to establish 25 percent federal funding of State agencies' administrative costs that exceed 175 percent of the median per-recipient costs. Currently, a State agency receives a minimum of 50 percent federal funding of nearly all of its administrative costs. While this proposal is not

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expected to affect very many State agencies, it does increase pressure to improve inefficient administrative practices where such exist. The proposal would save \$4 million in 1987.

We propose to gradually phase out enhanced funding for fraud investigations and prosecutions and automated data processing costs. These costs are now shared on a 75/25 percent Federal/State basis. The Federal share would be gradually reduced to 50% by 1989. In 1987, this proposal would save about \$2 million.

The Administration proposes to rescind the increases scheduled under P.L. 99-198 for the Puerto Rico Nutrition Assistance Program and reestablish the \$825 million grant level. We believe this is the only effective way to maintain budgetary restraint in the case of the Puerto Rico Program, since the Federal Government cannot curtail costs through changing eligibility or benefits. The Administration, therefore, has requested \$27.75 million less than authorized in FY 1987.

A final food stamp proposal would permit State agencies to elect to operate low-income nutrition assistance grant programs in lieu of the national Food Stamp Program. Any State agency exercising the option to operate its own nutrition assistance program would be provided first-year funding equivalent to its administrative costs for the previous fiscal year plus the value

of benefits issued in the State during the preceeding fiscal year. The administrative portion of the grant would be adjusted to reflect changes in the costs of program administration. The benefits portion would be adjusted on the basis of changes in food prices, unemployment levels, and the number of individuals in the State living below the poverty line, as well as any other factors established by the Secretary. The State agency could use each year's funds in the year they are provided or in the next year.

Commodity Proposals

Apart from the Food Stamp Program, changes are proposed in two commodity programs under the Subcommittee's jurisdiction.

First, we propose to eliminate authorization for funds to assist states and emergency feeding organizations with costs incurred in the distribution of commodities donated under the Temporary Emergency Food Assistance Program (TEFAP). We believe that, since more than 90 percent of the cost of this program is borne by the Federal Government through the provision of commodities to States, it is equitable for States to furnish intra-state and local distribution costs. This provision would save \$49.7 million in Fiscal Year 1987. Therefore, the Administration has not requested any funds for TEFAP.

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Second, the Administration proposes to make some legislative changes in the Commodity Supplemental Feeding Program (CSFP).

We would delete the Secretary's authority to continue service to the elderly through pilot projects. However, the three present elderly pilot project sites would be permitted, beginning Fiscal Year 1987, to continue serving those low-income elderly persons who were being served during Fiscal Year 1986.

We would remove administrative funding attached to donated commodities in CSFP. Program administrative funding would be restricted to 15 percent of the annual program appropriation. As is true in TEFAP, since the federal government contributes the food, it is equitable for the states to cover related administrative costs.

We would delete the mandate that the Secretary approve applicants of additional CSFP sites in areas in which the program does not currently operate to the full extent that funding permits. Instead, we would prohibit approval or funding of new CSFP programs or sites in an existing program which would operate in areas already served by the Special Supplemental Food Program for Women, Infants and Children (WIC). This would prevent further program overlap and thus achieve greater administrative efficiency.

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We would delete a provision in the law which allows CSFP local agencies that have received more funding than is necessary for service to women, infants and children to commence service to low income elderly persons, with the Secretary's approval. We propose limitations on commodity distribution to the elderly through CSFP since it would duplicate other nutrition programs for the elderly, including Congregate Nutrition Services and Home Delivery Nutrition Services administered by the Department of Health and Human Services, as well as the USDA Food Stamp Program and commodity distribution through food banks.

This concludes my formal remarks, Mr. Chairman. I will be happy to respond to the Committee's questions.

STATEMENT BY

JAMES P. MORAN, JR.
MAYOR OF ALEXANDRIA

ON BEHALF OF THE
U.S. CONFERENCE OF MAYORS

CHAIRMAN PANETTA AND MEMBERS OF THE SUBCOMMITTEE, I AM JAMES P. MORAN, JR., MAYOR OF ALEXANDRIA AND A MEMBER OF THE U.S. CONFERENCE OF MAYORS. IT IS MY HONOR TO APPEAR BEFORE YOU THIS MORNING TO TESTIFY ON BEHALF OF THE NATION'S MAYORS ON THE PRESIDENT'S BUDGET PROPOSALS AND HOW THEY WOULD AFFECT THE SERIOUS AND GROWING PROBLEM OF HUNGER IN THIS COUNTRY.

FIRST LET'S TALK ABOUT HUNGER IN AMERICA'S CITIES. IN JANUARY THE CONFERENCE'S TASK FORCE ON HUNGER AND HOMELESSNESS PUBLISHED A NEW REPORT, THE GROWTH OF HUNGER, HOMELESSNESS AND POVERTY IN AMERICA'S CITIES IN 1985, WHICH DOCUMENTED THE CONTINUING GROWTH OF HUNGER IN THIS NATION. WE FOUND THAT:

- O IN 24 OF THE 25 TASK FORCE CITIES, THE OVERALL DEMAND FOR EMERGENCY FOOD ASSISTANCE INCREASED DURING 1985, ON AVERAGE BY 28 PERCENT. IN ALL BUT TWO CITIES, OR 92 PERCENT OF THE TASK FORCE CITIES, THE NUMBER OF FAMILIES WITH CHILDREN REQUESTING EMERGENCY FOOD ASSISTANCE INCREASED DURING 1985, BY AN AVERAGE OF 30 PERCENT.
- O AN AVERAGE OF 17 PERCENT OF THE DEMAND FOR EMERGENCY FOOD ASSISTANCE CURRENTLY GOES UNMET IN THE RESPONDING CITIES. EMERGENCY FOOD ASSISTANCE FACILITIES HAVE TO TURN PEOPLE AWAY IN TWO OUT OF THREE OF THE RESPONDING CITIES.
- O TWENTY-TWO OF THE TASK FORCE CITIES, OR 88 PERCENT OF THOSE SURVEYED, EXPECT THE DEMAND FOR EMERGENCY FOOD ASSISTANCE TO INCREASE DURING 1986; THE REMAINDER EXPECT IT TO REMAIN THE SAME.
- O LOW BENEFITS IN PUBLIC ASSISTANCE PROGRAMS, POVERTY AND EMPLOYMENT PROBLEMS LEAD THE LIST OF REASONS FOR THE

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PERSISTENCE OF HUNGER. EVERY CITY SAVE ONE REPORTED THAT THE NATIONAL ECONOMIC RECOVERY HAS NOT EASED THE LOCAL HUNGER PROBLEM.

- O EVERY SURVEY CITY EXCEPT ONE REPORTED THAT CITY GOVERNMENT FUNDS -- EITHER LOCALLY GENERATED REVENUES OR FEDERAL OR STATE GRANTS -- ARE USED TO SUPPORT LOCAL EMERGENCY FOOD ASSISTANCE EFFORTS. IN 71 PERCENT OF THESE CITIES, LOCALLY GENERATED REVENUES ARE USED FOR THIS PURPOSE.

DESPITE THE FINDINGS OF OUR STUDY AND OTHERS WHICH HAVE SHOWN THAT HUNGER AND MALNUTRITION CONTINUE TO BE MAJOR PROBLEMS IN AMERICA, ESPECIALLY IN THE NATION'S LARGER CITIES, DESPITE THE INCREASE IN DEMAND FOR EMERGENCY FOOD ASSISTANCE BY FAMILIES WITH CHILDREN, AND DESPITE A SLOWING IN THE RATE OF DECREASE IN INFANT MORTALITY, THE ADMINISTRATION'S FY87 BUDGET CALLS FOR SIGNIFICANT CUTS IN MOST MAJOR FOOD AND NUTRITION PROGRAMS:

- O MANY OF THE PROVISIONS OF THE FOOD SECURITY ACT OF 1985 WHICH EXPAND ELIGIBILITY AND INCREASE BENEFITS UNDER THE FOOD STAMP PROGRAM BEGINNING MAY 1 WOULD BE REPEALED. THOSE PROVISIONS WERE ENACTED BECAUSE OF THIS COMMITTEE'S HARD WORK. WE CANNOT AFFORD TO LOSE THEM -- AND NEITHER CAN THE MANY
- AMERICANS IN NEED OF FOOD STAMPS. IN ALL, THE PRESIDENT PROPOSES CUTS OF OVER \$350 MILLION IN THE FOOD STAMP PROGRAM.
O THE ADMINISTRATION PROPOSES TO MAINTAIN THE NUTRITION ASSISTANCE BLOCK GRANT FOR PUERTO RICO AT \$825 MILLION. IT HAS BEEN AT THAT LEVEL SINCE IT BEGAN OPERATION ON JULY 1, 1982. THE FARM BILL, THANKS AGAIN TO THIS COMMITTEE, WOULD

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RAISE PUERTO RICO'S BLOCK GRANT TO \$853 BILLION. IT IS CRITICAL THAT WE MAINTAIN THIS MODEST INCREASE.

O AS IT DID LAST YEAR, THE ADMINISTRATION PROPOSES TO REDUCE THE AMOUNT OF FEDERAL SPENDING FOR CHILD NUTRITION PROGRAMS BY ELIMINATING SUBSIDIES FOR MEALS SERVED TO CHILDREN FROM FAMILIES WITH INCOMES ABOVE 185 PERCENT OF THE POVERTY LEVEL, CURRENTLY \$20,400 FOR A FAMILY OF FOUR. THE ADMINISTRATION ESTIMATES THAT THIS PROPOSAL ALONE WOULD RESULT IN A CUT OF \$395 MILLION FROM THE FY86 FUNDING LEVEL. IN ADDITION TO ELIMINATING MEALS FOR THOSE CHILDREN ABOVE 185 PERCENT OF THE POVERTY LEVEL, HOWEVER, THE AMERICAN SCHOOL FOOD SERVICE ASSOCIATION HAS ESTIMATED THAT THE PROPOSED MEANS TEST WOULD RESULT IN 10,000-15,000 SCHOOLS' DISCONTINUING THEIR SCHOOL LUNCH PROGRAMS ENTIRELY, AFFECTING SOME 5 TO 8 MILLION CHILDREN. FOR THE CHILD CARE FEEDING PROGRAM, THE MEANS TEST WOULD RESULT IN A \$145 MILLION CUT FROM THE FY86 LEVEL, A 30 PERCENT REDUCTION.

O ONCE AGAIN THE ADMINISTRATION SEEKS TO ELIMINATE THE \$50 MILLION TEMPORARY EMERGENCY FOOD ASSISTANCE PROGRAM. REAUTHORIZED IN THE FARM BILL, THIS PROGRAM PROVIDES CRITICAL FUNDS TO THE STATES TO ASSIST IN MEETING THE COSTS ASSOCIATED WITH DISTRIBUTING DONATED FEDERAL COMMODITIES TO ELIGIBLE SCHOOLS AND CHARITABLE INSTITUTIONS AND ORGANIZATIONS. CONTINUATION OF FUNDS FOR THIS PROGRAM IS CRITICAL TO MANY OF THE EMERGENCY FOOD ASSISTANCE FACILITIES.

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O FINALLY, NO FUNDS ARE PROPOSED IN THE BUDGET TO CONTINUE THE EMERGENCY FOOD AND SHELTER PROGRAM OF THE FEDERAL EMERGENCY MANAGEMENT AGENCY. THAT PROGRAM IS FUNDED AT \$70 MILLION THIS YEAR. IT HAS PROVIDED AN ESTIMATED 135 MILLION MEALS AND 27.6 MILLION NIGHTS LODGING SINCE IT BEGAN IN 1938, WITH A TOTAL FEDERAL INVESTMENT OF \$250 MILLION. IT PROVIDES VITAL HELP TO THOSE WHO NEED IT MOST -- HOMELESS AND HUNGRY AMERICANS.

THERE ARE NUMEROUS OTHER PROVISIONS IN THE PRESIDENT'S BUDGET PROPOSALS WHICH WOULD ADVERSELY AFFECT LOW INCOME RESIDENTS OF OUR CITIES:

- O IN THE FACE OF INCREASED HOMELESSNESS AND A CRITICAL SHORTAGE OF HOUSING FOR LOW AND MODERATE INCOME PEOPLE, THE PRESIDENT'S BUDGET WOULD PROVIDE NO NEW FUNDS FOR HOUSING ASSISTANCE AND WOULD RESCIND AND DEFER TWO-THIRDS OF THIS YEAR'S SPENDING AUTHORITY FOR HOUSING.
- O IN THE FACE OF UNACCEPTABLY HIGH UNEMPLOYMENT IN OUR CITIES, ESPECIALLY IN MINORITY COMMUNITIES AND AMONG YOUNG PEOPLE, THE PRESIDENT'S BUDGET WOULD SIGNIFICANTLY REDUCE THE SUMMER JOBS PROGRAMS AND THE JOB CORPS, THIS YEAR AND NEXT. IT WOULD ELIMINATE THE WORK INCENTIVE PROGRAM FOR THOSE RECEIVING AFDC, AND CUT OUT HALF OF THE FEDERAL ASSISTANCE FOR OUR PUBLIC SCHOOL VOCATIONAL EDUCATION.
- O IN THE FACE OF CONTINUING HIGH LEVELS OF POVERTY, IT WOULD CUT PROGRAMS WHICH AID THE POOR BY \$9 BILLION IN FISCAL '87 AND BY \$23 BILLION OVER THE NEXT FIVE YEARS.

THE PRESIDENT'S BUDGET WAS, OF COURSE, DEAD ON ARRIVAL WHEN IT REACHED CONGRESS. ITS PASSING WILL NOT BE MOURNED IN OUR CITIES. YOU IN CONGRESS ARE NOW WORKING TO FORMULATE A BUDGET

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WHICH WILL ADDRESS DOMESTIC AND DEFENSE CONCERNS EQUITABLY, AND AT THE SAME TIME REDUCE THE DEFICIT. THIS IS NO EASY TASK.

LAST YEAR THE CONFERENCE OF MAYORS ADOPTED A BUDGET POLICY WHICH I WOULD LIKE TO SHARE WITH YOU. WE CALL FOR AN ACROSS THE BOARD FREEZE OF ALL PROGRAMS, EXCEPT FOR THOSE WHICH SERVE LOW INCOME PEOPLE, COUPLED WITH TAX INCREASES THROUGH MEANS OTHER THAN THE PERSONAL INCOME TAX. THIS NATION'S PROBLEM IS NOT A SPENDING PROBLEM. IT IS A BUDGETING PROBLEM THAT WILL ONLY BE SOLVED WHEN FEDERAL REVENUES FINALLY MATCH FEDERAL RESPONSIBILITIES.

BECAUSE OF THE FINE WORK YOU HAVE DONE, WE ARE CONFIDENT THAT THIS COMMITTEE WILL MAINTAIN ADEQUATE FEDERAL PROGRAMS THAT MEET THIS NATION'S FOOD AND NUTRITION NEEDS. THE CONFERENCE OF MAYORS STANDS READY TO PROVIDE WHATEVER ASSISTANCE WE CAN TO HELP YOU IN THIS EFFORT.

REMARKS BY TIM A. GRACE
FOOD STAMP DIRECTOR, ILLINOIS DEPARTMENT OF PUBLIC AID
U.S. HOUSE OF REPRESENTATIVES, COMMITTEE ON AGRICULTURE
SUBCOMMITTEE ON DOMESTIC MARKETING, CONSUMER RELATIONS AND NUTRITION

GOOD MORNING. I AM PLEASED TO HAVE THE OPPORTUNITY TO ADDRESS YOU, MR. CHAIRMAN AND THE MEMBERS OF YOUR SUBCOMMITTEE.

MY NAME IS TIM GRACE AND I AM THE FOOD STAMP PROGRAM DIRECTOR OF THE ILLINOIS DEPARTMENT OF PUBLIC AID. MY TESTIMONY WILL PRIMARILY COME FROM THAT PROFESSIONAL CAPACITY, HOWEVER, MY INTERESTS IN THE ADMINISTRATION OF THE FOOD STAMP PROGRAM EXTEND BEYOND THE BORDERS OF ILLINOIS IN MY PRESENT CAPACITY AS PRESIDENT OF THE AMERICAN ASSOCIATION OF FOOD STAMP DIRECTORS.

I AM HERE TO DISCUSS THE IMPACT ON STATE ADMINISTRATION OF THE PROGRAM OF THE RECENTLY PASSED FOOD SECURITY ACT OF 1985 AND THE ADMINISTRATION'S FY '87 FOOD STAMP BUDGET PROPOSALS.

FIRST, I WANT TO CONGRATULATE EACH OF YOU FOR THE JOB DONE ON THE FOOD SECURITY ACT. IN THIS PERIOD OF NECESSARY FISCAL RESTRAINT, THE EASIER PATH WOULD HAVE BEEN TO FOLLOW ALL PROPOSALS DESIGNED ONLY TO AVOID EXPENDITURES, REGARDLESS OF IMPACT ON CLIENTS AND ADMINISTERING AGENCIES. HOWEVER, YOU REALIZED THAT CERTAIN EXPENDITURES COULD BE MADE WHICH COULD ULTIMATELY RESULT IN SUBSTANTIAL PROGRAM SAVINGS. YOU ENCOURAGED STATES TO WORK WITH USDA IN THE DEVELOPMENT OF SYSTEMS DESIGNED TO HELP THE CLIENT WHILE ALLOWING THE STATES THE NECESSARY FLEXIBILITY TO RESPOND TO THEIR PARTICULAR PROBLEMS AND NEEDS. POSITIVE STEPS WERE TAKEN TO MANDATE THE LONG OVERDUE REVIEW OF A QUALITY CONTROL SYSTEM. OTHER MORE SUBTLE CHANGES WERE MADE WHICH "CLARIFY

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AND SIMPLIFY" -- CHANGES WHICH HAVE BEEN WIDELY OVERLOOKED IN THE PAST. ALL THIS WAS DONE WITH STRONG BIPARTISAN COOPERATION, BOTH IN CONFERENCE COMMITTEE, IN CONGRESS AND ULTIMATELY, BY THE APPROVAL OF THE PRESIDENT.

I BELIEVE THAT THIS PRESENT LEGISLATION, IF ALLOWED TO BLOSSOM, WILL MOVE US IN THE DIRECTION WE WOULD ALL AGREE TO BE POSITIVE -- REDUCED PROGRAM COSTS AS A RESULT OF REDUCED FOOD STAMP ROLLS -- ALL RELATED TO A RETURN TO WORK BY CLIENTS WHO NEED JOBS. THIS WILL EVENTUALLY TAKE PLACE, NOT BECAUSE OF NEGATIVE, PUNITIVE PROGRAM ACTIONS BUT BECAUSE OF THE ESTABLISHMENT OF SOUND, PRODUCTIVE EMPLOYMENT AND TRAINING PROGRAMS. OUR CLIENTELE WILL BE TRAINED FOR AND HIRED INTO PRODUCTIVE EMPLOYMENT SO THE HELP PREVIOUSLY PROVIDED BY THE FOOD STAMP PROGRAM WILL NO LONGER BE NEEDED.

WE, IN ILLINOIS, WITH THE SUPPORT OF GOVERNOR THOMPSON AND UNDER THE LEADERSHIP OF MY BOSS, DIRECTOR GREGORY L. COLER, HAVE STARTED TO MOVE IN THAT DIRECTION WITH OUR PROJECT CHANCE PROGRAM. THE GOVERNOR INITIATED THIS PROGRAM IN LATE 1985. THIS PROJECT IS DESIGNED TO GIVE OUR CLIENTS "NOT JUST A CHECK, BUT A CHANCE," THEREFORE, THE NAME, PROJECT CHANCE. WE ARE COMMITTED TO MAKING PROJECT CHANCE THE LARGEST AND MOST SUCCESSFUL "WELFARE TO WORK PROGRAM" IN THE NATION. WE HOPE TO WORK TOWARDS GETTING A MINIMUM OF 112,000 PERSONS OFF THE WELFARE ROLLS OVER THE NEXT 3 YEARS BY FINDING FULL-TIME, PRODUCTIVE EMPLOYMENT FOR THEM.

I MENTION THIS BECAUSE IT IS FELT THAT PROJECT CHANCE WILL BE THE CORNERSTONE IN ILLINOIS FROM WHICH THE EMPLOYMENT AND TRAINING PROVISIONS OF THE FOOD

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SECURITY ACT CAN BE FASHIONED. WE WANT THE ILLINOIS DEPARTMENT OF PUBLIC AID TO BECOME AN EMPLOYMENT AGENCY FOR THE POOR. WE FEEL THAT A JOB -- EVEN A LOW PAYING, ENTRY LEVEL POSITION -- PROVIDES A BRIGHTER FUTURE THAN A WELFARE CHECK AND FOOD STAMPS.

AS A MAJOR PART OF PROJECT CHANCE, WE ARE FORGING A PARTNERSHIP BETWEEN PRIVATE EMPLOYERS AND THE STATE. WE HAVE RECEIVED, DURING THE PRESENT STATE FISCAL YEAR, \$3 MILLION OF STATE MONEY IN ORDER TO ENTER INTO AGREEMENTS WITH PRIVATE SECTOR COMPANIES AND AGENCIES. ANOTHER \$32 MILLION WILL BE USED FOR STAFF, TRAINING AND OTHER ADMINISTRATIVE EXPENSES. THE COMPANIES AND AGENCIES TELL US WHAT SKILLS THEIR EMPLOYEES NEED AND WE ASSURE THAT OUR CLIENTS ARE TRAINED FOR THOSE SKILLS. THESE ORGANIZATIONS, AS A PART OF THE CONTRACT, GUARANTEE THAT JOBS FOR THESE TRAINED CLIENTS ARE AVAILABLE WHEN THE TRAINING IS COMPLETE. AS YOU CAN SEE, THIS IS A NEW AND DISTINCTIVELY DIFFERENT APPROACH. WE ARE NOT TRAINING PERSONS IN THE DEVELOPMENT OF SKILLS FOR WHICH WE HOPE CAN ULTIMATELY BE PUT TO USE -- WE KNOW THAT EMPLOYMENT IS WAITING WHEN THE TRAINING IS COMPLETE.

PROJECT CHANCE WILL SERVE BOTH THE MANDATORY REGISTRANTS AND VOLUNTARY CLIENTELE. MANY OF THE MANDATORY REGISTRANTS WILL BE REQUIRED TO PARTICIPATE. HOWEVER, THOSE WHO HAVE BEEN TRADITIONALLY EXEMPT FROM WORK PROGRAMS WILL BE ENCOURAGED TO VOLUNTEER. THE LARGEST "VOLUNTEER GROUP" WILL BE WOMEN WITH YOUNG CHILDREN. WE ARE MAKING THIS PROGRAM AVAILABLE TO THAT GROUP (APPROXIMATELY 125,000) AS IT IS FELT THAT THEY WILL HAVE THE GREATEST MOTIVATION AND ABILITY TO MOVE MOST EASILY INTO THE JOB MARKET BECAUSE OF RECENT EDUCATIONAL EXPERIENCE AND THE YOUTH OF MOST OF THESE INDIVIDUALS.

THESE YOUNG WOMEN HAVE BEEN LARGELY IGNORED BECAUSE "THEY ARE NOT MANDATED TO JOB SEARCH, REGISTER FOR WORK, ETC." WE SEE THEM AS A POTENTIAL RESOURCE. THEY HAVE NOT BEEN OUT OF SCHOOL LONG AND LIKELY HAVE NOT BEEN ON WELFARE LONG ENOUGH FOR IT TO HAVE BECOME A "WAY OF LIFE". MOST ARE ALSO HIGHLY MOTIVATED TO PROVIDE A BETTER LIFE FOR THEIR CHILDREN. AS YOU CAN SEE, THIS IS A NOVEL APPROACH THAT MIGHT PROVE TO BE ONE OF THE MOST PRODUCTIVE PROGRAMS TRIED IN YEARS.

PROJECT CHANCE INCLUDES A "WORKFARE" COMPONENT, A MANDATORY WORK EXPERIENCE, FOR RECIPIENTS WHO CAN BENEFIT FROM SUCH A PLAN. THIS FACET OF OUR PROGRAM IS USED ONLY FOR SELECTED CASES. AS USED IN ILLINOIS, IT IS JUST ANOTHER METHOD OF PREPARING A CLIENT TO COMPETE IN THE JOB MARKET. SOME FOLKS WHO HAVE NEVER WORKED IN THEIR LIVES HAVE NO IDEA OF WHAT IT'S LIKE TO WORK AND HAVE LITTLE OR NO CHANCE OF FINDING EMPLOYMENT ON THEIR OWN. THE INITIAL EXPERIENCE NEEDED IS JUST TO LEARN THE RESPONSIBILITIES OF HOW TO HOLD DOWN A JOB.

PROJECT CHANCE REQUIRES AN UNPRECEDENTED LEVEL OF COOPERATION BETWEEN THE PUBLIC AND PRIVATE SECTORS TO PROVIDE EDUCATIONAL AND JOB-RELATED SUPPORT SERVICES, AS WELL AS FULL-TIME EMPLOYMENT AT THE END OF THE TRAINING. DIRECTOR COLER OFTEN MAKES A STATEMENT WHICH, I THINK, CAPTURES THE ESSENCE OF THE DIRECTION OF PROJECT CHANCE. HE SAYS THAT "IT IS THE ONLY GOVERNMENT PROGRAM IN HISTORY TO COME UP WITH A LIFETIME GUARANTEE. WE GUARANTEE EVERY WELFARE RECIPIENT IN THE STATE THAT WE WILL NEVER GIVE UP ON THEM, AS LONG AS THEY DON'T GIVE UP ON THEMSELVES. AS LONG AS THEY'RE WILLING TO PUT FORTH THE EFFORT IT TAKES TO GET A JOB, WE WILL NEVER GIVE UP DOING WHATEVER IT TAKES TO HELP THEM SUCCEED."

THIS BRINGS ME TO THE FOOD STAMP PROGRAM AND SPECIFICALLY, THE FOOD SECURITY ACT'S EMPLOYMENT AND TRAINING PROVISIONS. CONGRESS AND THE PRESIDENT HAVE ALREADY MADE GREAT STRIDES IN PROMOTING STATE FLEXIBILITY AND LIMITED FUNDING FOR THE ADMINISTRATION AND OPERATION OF THE EMPLOYMENT AND TRAINING PROVISIONS OF THIS RECENT LEGISLATION. PROGRAM FLEXIBILITY IS THE HEART AND SOUL OF OUR ANTICIPATED SUCCESSSES IN PROJECT CHANCE. WE MATCH HUMAN BEINGS WITH AVAILABLE EMPLOYMENT AND TRAINING, AS NECESSARY.

WE SUPPORT THE DEVELOPMENT OF PERFORMANCE STANDARDS FOR OUR WORK PROGRAMS TO INSURE THE BEST EXPENDITURE POSSIBLE OF TAX DOLLARS. HOWEVER, WE DO NOT BELIEVE THAT PERFORMANCE STANDARDS SHOULD BE TIED TO MANDATORY CLIENT PARTICIPATION LEVELS. CERTAINLY THESE LEVELS MUST BE ALLOWED TO DIFFER FROM STATE TO STATE. ENFORCEMENT OF MANDATORY LEVELS IGNORES OBVIOUS DIFFERENCES AND NEEDS OF EACH STATE. ARTIFICIAL PARTICIPATION LEVELS WOULD ALSO MAKE IT DIFFICULT IF NOT IMPOSSIBLE FOR STATES TO ESTABLISH PROGRAMS SUCH AS PROJECT CHANCE, WHICH RELATE TO AVAILABLE POSITIONS, CLIENTS WITH CERTAIN, SPECIFIC QUALIFICATIONS AND RELATED TRAINING. I AM AFRAID THAT MANDATING LEVELS WOULD LIKELY TURN EVEN A STATE'S BEST EFFORTS INTO NOTHING MORE THAN A "SEARCH FOR NUMBERS" TO SATISFY MANDATED AND OFTEN MEANINGLESS PARTICIPATION LEVELS.

THE FOOD SECURITY ACT MAINTAINS ADEQUATE CHECKS AND BALANCES BY REQUIRING THAT A STATE'S PLAN MUST BE DESIGNED TO THE SATISFACTION OF THE SECRETARY. THAT WILL ASSURE THAT EACH STATE IS MOVING IN A PROPER DIRECTION. STATES MUST MAKE A REASONABLE EFFORT TO TRAIN AND EMPLOY "TRAINABLE" AND "EMPLOYABLE" RECIPIENTS. LEGISLATION THROUGH THE FOOD SECURITY ACT ALLOWS STATES TO MEET THEIR SPECIFIC NEEDS, WHILE ATTEMPTING TO HUMANIZE EMPLOYMENT PROGRAMS FOR THEIR CLIENTELE.

THE FOOD SECURITY ACT LEGISLATION IN THIS AREA SHOULD BE RETAINED UNTIL STATES PROVE TO YOU THAT THEY WILL NOT OR CANNOT MOVE POSITIVELY IN THIS AREA. LET'S NOT STEP BACKWARDS BY RESTRICTING STATE FLEXIBILITY. THE REDUCTION OF FEDERAL DOLLARS IS ALSO A MAJOR CONCERN. THE PRESENT NATIONAL FUNDING BASICALLY ASSURES THESE PROGRAM EFFORTS WILL BE BASICALLY STATE FUNDED. INCREASED RESULTS SURELY CAN'T BE EXPECTED IF ALREADY INADEQUATE DOLLARS ARE REDUCED.

A FINAL STATEMENT ON EMPLOYMENT AND TRAINING. A MAJOR PART OF PROJECT CHANCE'S INCENTIVES FOR INDUCING PRIVATE BUSINESSES TO PROVIDE JOBS IS THE FEDERAL TARGETED JOBS TAX CREDIT (TJTC), WHICH COULD PROVIDE UP TO \$4,500 FOR EMPLOYERS WHO HIRE WELFARE CLIENTS. ON DECEMBER 31, 1985, HOWEVER, THE TAX CREDIT PROVISIONS OF THE LAW EXPIRED.

WE STRONGLY ENCOURAGE THE REAUTHORIZATION OF THIS TARGETED JOBS TAX CREDIT. WE NEED THIS "CREDIT" BACK IN FORCE, TO STIMULATE JOBS FOR RECIPIENTS AND OTHER LOW INCOME GROUPS BY ENCOURAGING EMPLOYERS TO GIVE RECIPIENTS A CHANCE TO PROVE THEMSELVES AND TO ALLOW SOME EMPLOYERS TO HIRE AN EMPLOYEE (OUR RECIPIENTS) THAT THEY COULDN'T OTHERWISE AFFORD TO HIRE.

THE TAX CREDIT DOES NOT COST MONEY, IT SAVES MONEY. IT COSTS THE TAXPAYERS A LOT LESS THAN IT COSTS TO KEEP SOMEONE ON WELFARE FOR A YEAR. LAST YEAR IN ILLINOIS ABOUT 25,000 RECIPIENTS OBTAINED JOBS THROUGH WIN AND GA JOBS PROGRAMS, IN PART BECAUSE OF THE TAX CREDIT. BECAUSE OF THIS, WE SAVED AN ESTIMATED \$7.3 MILLION IN WELFARE COSTS.

EACH STATE APPRECIATES THE IMPORTANCE OF THE TAX CREDIT TO ITS JOB DEVELOPMENT EFFORTS. THE PERMANENT LOSS OF THIS INCENTIVE MAY WELL HAVE THE AFFECT OF CLOSING THE DOORS OF EMPLOYERS TO THE MANY ABLE-BODIED CLIENTS WHO WANT TO WORK RATHER THAN RECEIVE WELFARE. IT CERTAINLY WOULD ADVERSELY IMPACT OUR PROPOSED EFFORTS RELATING TO PROJECT CHANCE AND OUR EMPLOYMENT AND TRAINING PLANS RELATED TO THE FOOD SECURITY ACT OF 1985.

THE OTHER MAJOR SUBJECT I WANT TO ADDRESS IS QUALITY CONTROL. AS A FOOD STAMP PROGRAM ADMINISTRATOR FOR 11 YEARS, I WOULD LIKE TO SAY THAT WE, AT THE STATE LEVEL, DO CARE ABOUT THE ACCURACY OF OUR PROGRAM'S OPERATION. "I HAVE YET TO DEAL WITH ANY OF MY PEERS, FROM WHATEVER STATE, WHEN THERE HAS BEEN AN INDICATION OF ANYTHING OTHER THAN SERIOUS CONCERN ABOUT THEIR SPECIFIC ERROR RATE. ALL, REGARDLESS OF POLITICAL PERSUASION, HAVE EXPRESSED CONSIDERABLE CONCERN WITH THE DIRECTION THE FNS QUALITY CONTROL DISCUSSION HAS BEEN MOVING.

OUR STATE HAS MADE CONSIDERABLE PROGRESS IN LOWERING THE FOOD STAMP Q.C. ERROR RATE OVER THE PAST SEVERAL YEARS. WE HAVE WORKED HARD, MADE MANY CHANGES IN PROGRAM OPERATIONS AND WE HAVE SEEN RESULTS. HOWEVER, WE ARE NOW IN DANGER OF BEING SANCTIONED FOR \$2.8 MILLION BECAUSE OF OUR 8% + ERROR RATE. IT HAS BECOME INCREASINGLY DIFFICULT TO FIND MAJOR SOLUTIONS WHICH WOULD HAVE ANYTHING OTHER THAN A MINIMAL IMPACT ON THE ERROR RATE. MONEY IS BEING SPENT AND CORRECTIVE ACTION IS BEING TRIED, BUT 5% OR LOWER (THE FY '85 MANDATED LEVEL) APPEARS AS A DREAM.

WHILE A \$2.8 MILLION SANCTION IS SERIOUS AND IS FELT TO BE UNWARRANTED (WE ARE FILING FOR "GOOD CAUSE"), IT WAS CALCULATED BASED ON "ADMINISTRATIVE

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EXPENDITURE" LEGISLATION WHICH IS CONSISTENT WITH THE PROVISIONS IN THE FOOD SECURITY ACT. HOWEVER, "DISTRIBUTIVE DOLLAR" SANCTION LEGISLATION WOULD COST ILLINOIS AROUND \$9 MILLION INSTEAD OF \$2.8. THIS DIFFERENCE IS SUBSTANTIAL WHEN IT COMES TO FUNDS AVAILABLE TO STATES FOR PROGRAM ADMINISTRATION.

IF THE CURRENT LEGISLATION IS CHANGED TO DISTRIBUTIVE DOLLAR SANCTIONS THE FY 85 YEAR SANCTION FOR ILLINOIS, ASSUMING MINIMAL CHANGES IN OUR ERROR RATE FOR THAT PERIOD, WOULD BE APPROXIMATELY \$22 MILLION. SUCH SANCTIONS WILL NOT ONLY IMPACT A STATE'S ABILITY TO OPERATE THE FOOD STAMP PROGRAM, BUT WILL CAUSE MAJOR PROBLEMS FOR THE OPERATION OF THE OTHER PROGRAMS AS WELL.

YES, THE FY '87 PROPOSALS OF BASING SANCTIONS ON A "DOLLAR FOR DOLLAR" LOSS FORMULA, WOULD "SAVE" BY COSTING STATES MILLIONS AND MILLIONS OF DOLLARS. PROGRAM ADMINISTRATION FOR ALL PROGRAMS INCLUDING FOOD STAMPS, AFDC AND MEDICAID ADMINISTRATION, COSTS STATES A CERTAIN AMOUNT OF DOLLARS. IF CRITICAL AMOUNTS OF THOSE DOLLARS DISAPPEAR IN THE FORM OF MILLIONS IN SANCTIONS, THE RESULT WILL NOT BE "MORE EFFICIENT ADMINISTRATION AND ACCURATE WELFARE BENEFIT CALCULATIONS". THE RESULT WILL BE DECREASED ADMINISTRATIVE ABILITY WHICH WOULD LIKELY CAUSE REDUCED CLIENT SERVICES AND SMALLER AFDC PAYMENTS.

THE ANSWER TO THE "QC" PROBLEM IS NOT THE "QUICK FIX" OF INCREASED SANCTIONS BY DISTRIBUTIVE DOLLAR BILLINGS. NO, THE ANSWER IS NOT THAT SIMPLE. YOU AND THE PRESIDENT TOOK ONE MAJOR STEP THROUGH THE FOOD SECURITY ACT BY REALIZING THAT A STUDY OF THE CURRENT QC SYSTEM IS LONG OVERDUE. I AM OPTIMISTIC THAT A CONCENTRATED STUDY WILL DETERMINE THAT OUR PRESENT QC SYSTEM NO LONGER SERVES ANY STATE IN THE MANNER IT WAS ORIGINALLY INTENDED. I PREDICT THAT FAR - REACHING CHANGES WILL BE THE RESULT OF THE STUDY.

MORE NEEDS TO BE DONE, BOTH BY CONGRESS AND BY THE STATES. WORK STILL NEEDS TO CONTINUE FOR GREATER PROGRAM SIMPLIFICATION AND CONSOLIDATION OF THE ELIGIBILITY CRITERIA FOR THE MAJORITY OF THE PROGRAMS WE ADMINISTER.

AS THE FEDERAL GOVERNMENT IS LIMITED TO TAX MONIES AVAILABLE TO HELP THE STATES IN THEIR PROGRAM OPERATION, SO ARE STATES LIMITED AS TO FUNDS AVAILABLE FOR STAFF INCREASES AND MAJOR DATA PROCESSING OVERHAULS. CASEWORKERS ARE FULL-SERVICE WORKERS, RESPONSIBLE FOR THE DETAIL OF EACH OF OUR COMPLEX WELFARE PROGRAMS. IT IS BECOMING MORE AND MORE OF A NECESSITY TO BRING TOGETHER RULES FOR ELIGIBILITY FOR ALL PROGRAMS. IT MAKES LITTLE SENSE ANYMORE FOR FAMILY "X" TO BE SEPARATELY DETERMINED ELIGIBLE FOR AFDC, MEDICAID AND FOOD STAMPS BY THE USE OF THREE SEPARATE AND DISTINCT POLICY MANUALS AND MULTIPLE ELIGIBILITY CRITERIA. ILLINOIS, THROUGH DIRECTOR COLER AND APWA, HAS DEVELOPED A "REGULATORY CONSOLIDATION" PROPOSAL WHICH I HOPE WILL BE AVAILABLE FOR YOUR REVIEW IN THE NEAR FUTURE.

WE WOULD ALSO LIKE TO THINK THAT OUR FOOD STAMP SIMPLIFIED APPLICATION DEMONSTRATION PROJECT, WITH ITS POSITIVE RESULTS, HAS CONVINCED A SUFFICIENT NUMBER IN WASHINGTON THAT "STANDARDIZED FOOD STAMP ALLOTMENTS" ARE A WORKABLE AND AN AFFORDABLE CONCEPT. WITHOUT GOING INTO GREAT DETAIL, AS OUR PROJECT RESULTS HAVE BEEN RATHER WIDELY CIRCULATED ON THE HILL, I WOULD ONLY LIKE TO SAY THAT OVER THE 15 MONTH DEMONSTRATION PERIOD, OUR PROJECT PROVED THAT THE FOOD STAMP QUALITY CONTROL ERROR RATE FOR APPROXIMATELY 156,000 AFDC HOUSEHOLDS IN ILLINOIS COULD BE REDUCED BY ALMOST 50% (FROM 5.02% TO 2.81%).

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WE ARE ANXIOUSLY AWAITING THE REGULATIONS FROM THE FOOD SECURITY ACT RELATING TO THE REOPENING OF THIS CONCEPT. SUCH A CONCEPT, IF ULTIMATELY ALLOWED BY THE REGULATORY INTERPRETATION OF THE LEGISLATION, COULD SPELL THE MOST IMPORTANT DIRECTIONAL CHANGE IN THE FOOD STAMP PROGRAM SINCE THE ACT OF 1977. THE KEY TO LOWER ERROR RATES NATIONALLY COULD WELL BE THE SIMPLIFICATION RESULTING FROM STANDARDIZED ALLOTMENTS WHILE MAINTAINING ADEQUATE BENEFIT LEVELS FOR OUR CLIENTS.

THE PREVIOUS ISSUES DISCUSSED ARE THOSE WITH THE GREATEST POTENTIAL PROGRAM IMPACT. HOWEVER, THERE ARE ALSO OTHER PROGRAM CONCERNS WHICH I WILL BRIEFLY ADDRESS AT THIS TIME.

ADMINISTRATIVE MATCHING

THIS ONE SEEMS RATHER SIMPLE AT FIRST BLUSH. PROGRAM OPERATION COSTS MONEY. PROGRAM ENHANCEMENTS COST MORE MONEY. PROGRAM ENHANCEMENTS ARE OFTEN INITIATED TO IMPROVE PROGRAM ADMINISTRATION, COMBAT FRAUD, WASTE AND ABUSE AND IMPROVE COLLECTION PROCEDURES, ALL OF WHICH LEAD TO SOME LOWERING OF ERROR RATES AND OVERALL COST SAVINGS.

IF THE PRESENTLY ALLOWED MATCHES OF 75/25, FEDERAL/STATE, FOR ANTIFRAUD AND AUTOMATED DATA PROCESSING ACTIVITIES, ARE REDUCED TO 50/50, CERTAIN ENHANCEMENTS SHOULD NOT BE EXPECTED BECAUSE STATE MONEY TO FILL THAT GAP WILL JUST NOT BE AVAILABLE. MUCH OF THE PROGRESS MADE IN MANY OF THE STATES OVER THE PAST FEW YEARS WOULD NOT HAVE OCCURRED WITHOUT THE BENEFITS OF ENHANCED FEDERAL FUNDING.

THE PROPOSAL TO REDUCE THESE MATCHES SEEMS TO WORK CONTRARY TO PREVIOUSLY STATED CONGRESSIONAL AND ADMININSTRATIVE GOALS.

PROGRAM ELIGIBILITY FACTORS

ONCE AGAIN CONGRESS AND THE PRESIDENT HAVE MADE A SIGNIFICANT MOVE IN THE RIGHT DIRECTION IN THIS LAST LEGISLATIVE SESSION BY PASSING SEVERAL PROVISIONS WHICH POSITIVELY IMPACT PRIMARILY THOSE CLIENTS WHO ARE EMPLOYED OR ARE ATTEMPTING TO BECOME SELF SUFFICIENT. I WILL BRIEFLY DISCUSS THOSE ISSUES RELATING TO MAY, 1986 IMPLEMENTATION.

- O INCREASE EARNED INCOME DEDUCTION FROM 18% TO 20%.
- O SEPARATE DEPENDENT CARE AND SHELTER DEDUCTIONS.
- O INCREASE THE AMOUNT OF THE DEPENDENT CARE AND SHELTER DEDUCTION (SEPARATE AMOUNTS RATHER THAN A SINGLE, COMBINED MAXIMUM).
- O INCREASE ASSET LEVELS - \$1500 TO \$2000 AND REDEFINE THE \$3000 LEVEL.

THE EARNED INCOME DEDUCTION INCREASE PROVIDES A LITTLE MORE BENEFIT TO THE EMPLOYED CLIENT, WHILE SIMPLIFYING THE CALCULATION PROCESS. IT'S EASIER TO MAKE MATHEMATICAL MISTAKES (THEREFORE, ERRORS) WHEN WORKING WITH 18%. THE SEPARATION OF THE DEPENDENT CARE AND SHELTER DEDUCTIONS WILL BE QUITE HELPFUL TO THE WORKING MOTHER. INCREASING THE LIMITS ALSO MAKES THESE DEDUCTIONS MORE REALISTIC. THE ASSET LIMIT CHANGES WILL PRIMARILY IMPACT THE RECENTLY UNEMPLOYED CLIENT, THAT GROUP OF PERSONS FINDING THEMSELVES IN THE WELFARE AND FOOD STAMP LINES FOR THE FIRST TIME IN THEIR LIVES.

- 12 -

I ENCOURAGE YOU TO MAINTAIN THESE PROVISIONS THAT YOU SUPPORTED IN THE FOOD SECURITY ACT. THEY WERE INTENDED TO MORE ACCURATELY REFLECT ACTUAL AND NECESSARY EXPENSES BY TODAY'S STANDARDS. ALSO, IF ALL THE ABOVE REVERT BACK TO PREVIOUS POLICY, STATES WILL HAVE TO EXPEND WHATEVER RESOURCES ARE NECESSARY TO UNDO WHAT WAS DONE TO MEET THE MAY, 1986 REGULATORY DEADLINE. THE PROJECTED SAVINGS FROM SUCH LEGISLATION WOULD CERTAINLY BE SUBJECT TO QUESTION.

IN CLOSING THIS AREA, I JUST WANT TO LEND MY SUPPORT AND ENCOURAGE QUICK ACTION TO "FIX" THE OVERSIGHT IN THE LEGISLATION WHICH SEPARATED THE CHILD CARE AND SHELTER DEDUCTION. THE EXCESS SHELTER MAXIMUM WAS MISTAKENLY RETAINED AS THE DEPENDENT CARE MAXIMUM FOR HOUSEHOLDS CONTAINING THE ELDERLY AND DISABLED. THE SOONER THAT UNNECESSARY COMPLEXITY CAN BE RECTIFIED, THE EASIER THE CASEWORKERS' JOB WILL BE. THE PRESENT FOOD SECURITY ACT LANGUAGE WILL NEEDLESSLY FORCE SEPARATE CALCULATIONS BASED ON THE HOUSEHOLD MAKEUP.

THE LAST SEGMENT OF MY TESTIMONY DOES NOT DIRECTLY RELATE TO THE FOOD SECURITY ACT NOR TO THE FY '87 BUDGET PROPOSALS BUT IT DOES DIRECTLY IMPACT THE STATE/FEDERAL INTERACTION PROCESS AS THAT PROCESS RELATES TO QUALITY CONTROL.

STATES HAVE RECENTLY RECEIVED A PROPOSED RULE WHICH SEEMS TO TAKE AWAY A SIGNIFICANT PORTION OF THE STATES' RIGHT TO ARBITRATION AND TO APPEAL FEDERAL FOOD STAMP SANCTION ACTION BY USDA. THIS APPEARS TO HAVE BEEN DONE BY USDA WITHOUT LEGISLATIVE INTERFACE AND, IN THE WAKE OF MAJOR INCREASES IN FOOD STAMP SANCTIONS NATIONWIDE, SEEMS TO MOVE IN A DIRECTION OPPOSITE TO WHERE WE SHOULD BE GOING. IT ALSO SEEMS TO CONFLICT WITH THIS COMMITTEE'S APPARENT

DESIRES WHICH WERE REFLECTED ON PAGE 162 OF THE HOUSE COMMITTEE REPORT WHICH ACCOMPANIED LAST YEAR'S FARM BILL. THIS DOCUMENT SPECIFICALLY STATES THAT EACH STATE SHALL RETAIN THE RIGHT TO GO TO THE NATIONAL LEVEL, IF NECESSARY, FOR ARBITRATION AND APPEALS.

AS I AM READING THIS PROPOSED RULE, THE FOLLOWING CHANGES WOULD RESULT:

APPEAL BOARD

- O THE APPEAL BOARD WILL BE ELIMINATED. PRESENTLY A STATE WISHING TO APPEAL SANCTION ACTION, CAN REQUEST AND RECEIVE A HEARING BEFORE AN IMPARTIAL BOARD IN WASHINGTON.

IN THE PROPOSAL, A STATE WILL ONLY BE ABLE TO APPEAL BY LETTER. FNS WILL BE ALLOWED TO DISCUSS THE ISSUE WITH THOSE WHO REVIEW THESE LETTERS BUT THE STATES WILL HAVE NO SIMILAR BENEFIT.

- O ALSO, WITH THE ELIMINATION OF THE APPEAL BOARD HEARING, THE PROPOSAL ALSO ELIMINATES THE "GOOD CAUSE" PROVISIONS. A STATE WILL NOT BE ABLE TO USE THIS AS A REASON FOR WRITTEN APPEAL.

ARBITRATION

- O DISPUTES OVER ERROR CASES ARE PRESENTLY DISCUSSED WITH THE FNS REGIONAL OFFICES AND, IF NOT RESOLVED, THE STATE CAN DRAFT A LETTER OF THEIR POSITION TO USDA IN WASHINGTON. THIS IS REVIEWED BY WASHINGTON POLICY STAFF AND A DECISION IS MADE.

- 0 UNDER THIS PROPOSAL, THE FNS REGIONAL OFFICE WILL HAVE THE FINAL SAY WITH THE STATE HAVING NO WASHINGTON RECOURSE.
- 0 UNDER THE CURRENT REGULATIONS, ABOUT ONE-THIRD OF ALL SUCH MATTERS REFERRED TO WASHINGTON FOR ARBITRATION ARE RESOLVED IN FAVOR OF THE STATE.

I WOULD HOPE THAT WITH YOUR SUB-COMMITTEE'S PAST CONCERNS WITH THE FOOD STAMP PROGRAM AND THE QUALITY CONTROL PROCESS IN PARTICULAR, YOU WOULD AGREE THAT SUCH A PROPOSED DIRECTION IS IN THE BEST INTERESTS OF NEITHER THE PROGRAM NOR THE STATES. A SEARCHING REVIEW BY THIS SUB-COMMITTEE WOULD BE GREATLY APPRECIATED.

I SINCERELY THANK YOU FOR THIS TIME GIVEN ME.

STATEMENT OF WILLIAM J. KNOWLES, DIRECTOR, DEPARTMENT OF SOCIAL SERVICES, CHARLESTON COUNTY, SOUTH CAROLINA, AND VICE-CHAIR, SOCIAL SERVICES SUBCOMMITTEE, NATIONAL ASSOCIATION OF COUNTIES (NACo),* BEFORE THE SUBCOMMITTEE ON DOMESTIC MARKETING, CONSUMER RELATIONS AND NUTRITION, U.S. HOUSE OF REPRESENTATIVES.

MR. CHAIRMAN, MEMBERS OF THE SUBCOMMITTEE, I AM BILL KNOWLES, DIRECTOR OF THE DEPARTMENT OF SOCIAL SERVICES IN CHARLESTON COUNTY, SOUTH CAROLINA, AND VICE-CHAIR OF THE NATIONAL ASSOCIATION OF COUNTIES SUBCOMMITTEE ON SOCIAL SERVICES. ON BEHALF OF NACo, I THANK YOU FOR THE OPPORTUNITY TO TESTIFY.

THIS MORNING, I WOULD LIKE TO DISCUSS NACo'S POLICY ON THE 1987 FEDERAL BUDGET AND THEN OUTLINE OUR POSITIONS ON A NUMBER OF FOOD AND NUTRITION CHANGES PROPOSED BY THE ADMINISTRATION.

THE FEDERAL BUDGET

NACo HAS BEEN AN ACTIVE PARTICIPANT IN THE DEBATE OVER REDUCING THE FEDERAL DEFICIT. AS AN ORGANIZATION REPRESENTING ELECTED AND APPOINTED COUNTY OFFICIALS, NACo KNOWS FROM THE LOCAL PERSPECTIVE THE NEED TO OPERATE TIGHT BUDGETS WHILE PROVIDING EFFICIENT AND EFFECTIVE SERVICES FOR LOCAL RESIDENTS. AS A SOCIAL SERVICES DIRECTOR ADMINISTERING THE FOOD STAMP PROGRAM, I AM KEENLY AWARE OF THE PRESSURES TO REDUCE OPERATING COSTS AND THE CONSTRAINTS THAT MAKE THAT OBLIGATION DIFFICULT TO ACHIEVE AND MAINTAIN.

*NACo IS THE ONLY NATIONAL ORGANIZATION REPRESENTING COUNTY GOVERNMENT IN AMERICA. ITS MEMBERSHIP INCLUDES URBAN, SUBURBAN, AND RURAL COUNTIES JOINED TOGETHER FOR THE COMMON PURPOSE OF STRENGTHENING COUNTY GOVERNMENT TO MEET THE NEEDS OF ALL AMERICANS. BY VIRTUE OF A COUNTY'S MEMBERSHIP, ALL ITS ELECTED AND APPOINTED OFFICIALS BECOME PARTICIPANTS IN AN ORGANIZATION DEDICATED TO THE FOLLOWING GOALS: IMPROVING COUNTY GOVERNMENT; ACTING AS A LIAISON BETWEEN THE NATION'S COUNTIES AND OTHER LEVELS OF GOVERNMENT; AND ACHIEVING THE PUBLIC UNDERSTANDING OF THE ROLE OF COUNTIES IN THE FEDERAL SYSTEM.

IN MARCH NACo ADOPTED AN OVERALL BUDGET POLICY CALLING FOR NO FURTHER CUTS IN DOMESTIC PROGRAMS. FOR THE FIRST TIME, THE NACo BOARD CALLED FOR BUDGET CUTS IN DEFENSE AND INCREASED FEDERAL REVENUES TO REDUCE THE DEFICIT. OUR POLICY RECOGNIZES THAT COUNTIES HAVE TAKEN MORE THAN THEIR FAIR SHARE OF CUTS WHILE DEFICITS CONTINUED TO RISE. OTHER ALTERNATIVES ARE AVAILABLE TO REDUCE THE DEFICIT, BUT NO LONGER SHOULD PROGRAMS SUCH AS FOOD AND NUTRITION BEAR THE BRUNT OF THE CUTS.

I WILL NOW DISCUSS OUR POSITIONS ON FOOD STAMPS AND THE TEMPORARY EMERGENCY FOOD ASSISTANCE PROGRAM (TEFAP).

FOOD STAMPS

DURING LAST YEAR'S REAUTHORIZATION, NACo CONSISTENTLY SUPPORTED THE HOUSE VERSION OF THE FARM BILL. WE RECOGNIZE THAT THE HOUSE HAD TO MAKE COMPROMISES IN ORDER TO ACHIEVE CONSENSUS WITH THE SENATE BUT GENERALLY WE WERE PLEASED WITH THE BILL AS SIGNED BY THE PRESIDENT. WE SUPPORTED PROGRAM RESTORATIONS INCLUDING INCREASING THE EARNED INCOME DEDUCTION TO 20 PERCENT AND INCREASING THE ASSETS LIMITATIONS. OTHER ADMINISTRATIVE OPTIONS SUCH AS STAGGERING COUPON ISSUANCE, AND PILOT PROJECTS FOR SIMPLIFYING APPLICATIONS AND STANDARDIZING BENEFITS, WERE SUPPORTED BY NACo. MR. CHAIRMAN, WE APPRECIATED THE HARD WORK THAT YOU AND YOUR SUBCOMMITTEE DID TO MAKE MANY IMPROVEMENTS IN THE PROGRAM.

UNFORTUNATELY, IN OUR REVIEW OF THE ADMINISTRATION'S 1987 BUDGET PROPOSALS FOR FOOD STAMPS, THOSE RECENT IMPROVEMENTS WOULD

BE ERODED IF CONGRESS ACCEPTS THEIR LEGISLATIVE PROPOSALS. OUR MAJOR CONCERN IS THE PROPOSAL MANDATING INCREASING PERCENTAGES OF PEOPLE TO PARTICIPATE IN EMPLOYMENT AND TRAINING PROGRAMS. WHILE NACo HAS STRONG POLICY ADVOCATING MEANINGFUL EMPLOYMENT FOR ABLE-BODIED WELFARE RECIPIENTS, WE CONSISTENTLY OPPOSE NEW MANDATES THAT IMPOSE COSTLY ADMINISTRATIVE BURDENS ON COUNTIES AND BRING LITTLE BENEFIT TO RECIPIENTS OF ASSISTANCE. WE FELT THAT LAST YEAR'S WORK PROGRAM APPROACH IN THE HOUSE BILL WAS FAIR AND FLEXIBLE.

NACo IS VERY INTERESTED IN PROGRAMS SUCH AS THE CALIFORNIA GAIN INITIATIVE AND HAS HIGHLIGHTED IT AND OTHER INNOVATIVE WORK PROGRAMS AT RECENT CONFERENCES. WE URGE YOU TO RETAIN STATE AND LOCAL FLEXIBILITY IN DEVELOPING EMPLOYMENT AND TRAINING PROGRAMS. MANDATED PARTICIPATION QUOTAS AS PROPOSED BY THE ADMINISTRATION ARE NOT SENSITIVE TO THE UNIQUE ECONOMIC AND LABOR MARKET CONDITIONS OF COMMUNITIES.

THE ADMINISTRATION'S ERROR RATE PROPOSAL TO IMPOSE A DOLLAR-FOR-DOLLAR PENALTY ON ERRORS OVER FIVE PERCENT IS ANOTHER PROPOSAL WE HAVE ALWAYS OPPOSED. WE WERE DISAPPOINTED THAT THE SENATE WOULD NOT ACCEPT STRONGER QUALITY CONTROL IMPROVEMENTS IN LAST YEARS REAUTHORIZATION. WE DO HOWEVER LOOK FORWARD TO THE USDA AND NATIONAL ACADEMY OF SCIENCE'S REPORTS ON THE QUALITY CONTROL SYSTEM, AND SUPPORTED THE ENACTED AMENDMENT REQUIRING THE USDA TO PROVIDE TIMELY INFORMATION ON ERRORS.

NACo BELIEVES THAT ERROR RATE SANCTIONS UNDERCUT THE CURRENT FEDERAL, STATE, AND COUNTY PARTNERSHIP IN ADMINISTERING THE FOOD STAMP PROGRAM. BY IMPOSING FISCAL PENALTIES, THE FEDERAL GOVERNMENT IS SHIFTING COSTS AND THE BURDEN OF THE ADMINISTRATIVE PARTNERSHIP TO US. WE ALREADY HAVE A MAJOR FINANCIAL STAKE IN IDENTIFYING ERRORS BECAUSE IT COSTS STATE, LOCAL, AND FEDERAL DOLLARS TO ADMINISTER THE PROGRAM. FOR THIS REASON, STATES, AND COUNTIES ARE COMMITTED TO REDUCING ERRORS. IN THESE TIMES OF VERY TIGHT BUDGETS, WE SEARCH FOR ADMINISTRATIVE IMPROVEMENTS AS MUCH AS THE FEDERAL GOVERNMENT OR THE PRIVATE SECTOR. NACo WILL SUPPORT THIS SUBCOMMITTEE IN ITS EFFORTS TO FURTHER MODIFY THE QUALITY CONTROL SYSTEM.

MANY OF THE ADMINISTRATIONS PROPOSALS ARE CONTAINED IN A BILL, S.2239 INTRODUCED THREE WEEKS AGO BY SENATOR HELMS. WE OPPOSE HIS BILL AND MOST STRONGLY OBJECT TO HIS PROPOSAL TO INCLUDE FOOD STAMPS, WIC AND CHILD NUTRITION UNDER THE GRAMM-RUDMAN AUTOMATIC CUTS.

EMERGENCY FEEDING PROGRAMS

PROVIDING AN AVERAGE FOOD STAMP BENEFIT OF LESS THAN 50 CENTS PER MEAL IS NOT ADEQUATE FOR MANY POOR FAMILIES. SOME INDIVIDUALS ALSO RELY ON THE TEMPORARY EMERGENCY FOOD ASSISTANCE PROGRAM (TEFAP) OR THE FEMA EMERGENCY FOOD AND SHELTER PROGRAM. LAST SUMMER, THE NACo MEMBERSHIP ADOPTED ITS FIRST COMPREHENSIVE POLICY ON HOMELESSNESS. IT EXPANDED OUR POLICY SUPPORTING TEFAP AND THE FOOD AND SHELTER PROGRAM. ONE YEAR LATER, WE FIND OURSELVES AGAIN OPPOSING THE ADMINISTRATION'S PROPOSAL TO

ELIMINATE BOTH PROGRAMS. WITH HOMELESSNESS BEING DISCUSSED BY ELECTED AND APPOINTED COUNTY OFFICIALS AT EVERY CONFERENCE WE CONVENE, IT IS OBVIOUS THAT THE PROBLEM STILL EXISTS. IN FACT, AT OUR MARCH LEGISLATIVE CONFERENCE, THE HUMAN SERVICES STEERING COMMITTEE DIRECTED STAFF TO CREATE AN AD-HOC COMMITTEE OF COUNTY OFFICIALS ON HOMELESSNESS, SO THAT THERE IS AN INSTITUTIONALIZED NACo STRUCTURE TO RESPOND TO THE PROBLEM:

THE \$50 MILLION ANNUAL APPROPRIATION FOR TEFAP HAS HELPED COUNTIES AND NON-PROFIT AGENCIES DEFRAY THE DISTRIBUTION AND STORAGE COSTS OF SURPLUS COMMODITIES. THIS PROGRAM HAS BEEN AN INTEGRAL PART OF THE EFFORT TO REDUCE HUNGER, ESPECIALLY IN RURAL COUNTIES. WHILE WE SUPPORT TEFAP, SOME COUNTIES HAVE HAD DIFFICULTY ADMINISTERING THE PROGRAM. DURING OUR TESTIMONY LAST YEAR, NACo OUTLINED SOME OF THOSE PROBLEMS. WE STRONGLY SUGGESTED THAT A REVIEW WAS NEEDED OF THE USDA REGULATIONS ON LIABILITY FOR COMMODITY LOSSES. URBAN AND RURAL COUNTIES ARE SUBJECTED TO AUDITS FOR THE SAME DOLLAR AMOUNT OF LOSSES, REGARDLESS OF WHETHER THEY DISTRIBUTE THOUSANDS OF POUNDS OF FOOD OR THEY ARE A SMALL RURAL COUNTY.

IN THE 1985 FOOD SECURITY ACT, SECTION 1570 DIRECTS USDA TO ISSUE REGULATIONS TO SET LIABILITY STANDARDS AND CONDITIONS FOR PAYMENT TO COVER COMMODITY LOSSES. WE URGE USDA TO ISSUE THOSE REGULATIONS TO RESOLVE SOME OF THE ADMINISTRATIVE ISSUES. WE ALSO URGE THEM TO ACCOUNT FOR THE SPECIAL NEEDS AND CIRCUMSTANCES OF EMERGENCY FEEDING ORGANIZATIONS AS THE LAW SPECIFIES.

AS A NATIONAL ORGANIZATION, NACo ASSISTS THE FEMA NATIONAL VOLUNTARY BOARD IN NOTIFYING ALL ELIGIBLE COMMUNITIES WHEN EMERGENCY FOOD AND SHELTER MONEY IS APPROPRIATED. WE HAVE ALSO ASSISTED IN INFORMING OUR MEMBERSHIP ABOUT THE ADVERTISING COUNCIL'S FOOD STAMP INFORMATION OUTREACH CAMPAIGN. THROUGH THESE ACTIVITIES WE HAVE LEARNED THAT THERE IS A GREAT DEAL OF PRIVATE EFFORT TO REDUCE HUNGER, YET 10 MILLION TO 15 MILLION PEOPLE ELIGIBLE FOR FOOD STAMPS DO NOT RECEIVE THEM. A REVIEW OF THE JANUARY, 1986 PHYSICIAN TASK FORCE REPORT FROM HARVARD AGAIN SHOWS US THAT MANY AREAS OF THE COUNTRY, ESPECIALLY VERY SMALL RURAL COUNTIES, STILL HAVE A LARGE PERCENTAGE OF THEIR POPULATION IN POVERTY WHO DO NOT PARTICIPATE IN INCOME ASSISTANCE PROGRAMS. AS A RESULT, WE CONTINUE TO STAND READY TO ASSIST THIS SUBCOMMITTEE IN FINDING WAYS TO CONFRONT THE PROBLEM OF HUNGER. I THANK YOU AGAIN FOR THIS OPPORTUNITY TO TESTIFY AND WILL WELCOME ANY QUESTIONS.

GLORIA MERCIER, M.S. R.D.
CHIEF OF NUTRITION SERVICES (WIC & CSFP PROGRAMS)
SHELBY COUNTY, MEMPHIS, TENNESSEE

My primary concern for addressing this body of lawmakers is to provide grassroot knowledge of nutritional needs for our most vulnerable citizens in our country:

The Poor	--	The Malnourished
The Elderly	--	The Homeless
The Young	--	The Farmer

The commodity food program in Shelby County, Memphis, Tennessee, presently consists of a 13,200 caseload for pregnant women, infants and children. Over one-half of the caseload served are siblings of teenage mothers.

The food packages consist of food rich in iron and protein sources at the lowest cost of any food program.

They are peanut butter, nonfat dry milk, canned meat or poultry, canned fruit, dried eggs, rice, fruit juice, cereal, infant formula, infant cereal and beans.

We submitted a grant proposal for the Elderly Feeding Pilot Project in 1982, but was refused. Hopefully in 1986-87 this will not be the case. Budget constraints would hinder expansion of the Elderly Food Program for the States that are willing to provide for their eligible senior citizens.

We want the right to utilize programs to serve individuals based on need. The District Nurses and nutritionist in Shelby

County visit homes and outreach citizens that have critical cases of malnutrition.

If given the opportunity, we could provide a list of over 1,500 eligible candidates for participation in CSFP - these are elderly not currently being served. A reduction in CSFP funds would have a great impact on local program's capabilities to operate and expand services. My concern is what will happen to existing programs?

(Attachment follows:)

ELDERLY FEEDING PROGRAM FOR MEMPHIS AND SHELBY COUNTY

PROGRAM NARRATIVE

THE ELDERLY FEEDING GRANT WILL HELP TO MEET THE NEEDS OF ELDERLY RECIPIENTS RESIDING IN SHELBY COUNTY. THROUGH A STATISTICAL OVERVIEW OF THE CENSUS AND CENSUS TRACTS THAT ARE INCLUDED IN MEMPHIS AND SHELBY COUNTY, WE HAVE FOUND THAT THERE ARE 102,366 RESIDENTS OVER 60 YEARS OLD. OF THIS NUMBER OVER ONE-HALF (1/2) CAN QUALIFY FOR THIS PROGRAM.

PRESENTLY THERE IS NOT A PROGRAM OF THIS TYPE TO SERVE THE ELDERLY POPULATION OF MEMPHIS AND SHELBY COUNTY. IT IS OF A MAJOR CONCERN TO PROVIDE THIS SERVICE TO THE POPULATION OF THIS COUNTY. THE PROGRAM IS OF MAJOR INTEREST DUE TO ESCALATING COST OF ENERGY, TRANSPORTATION, MEDICATIONS, FOOD PROCUREMENT AND OTHER UNMET HEALTH AND NUTRITION NEEDS.

IN SHELBY COUNTY, THERE ARE EXISTING PHYSICAL, MEDICAL AND CLINICAL FACILITIES WHICH CAN BE USED TO ACCOMMODATE THESE POTENTIAL RECIPIENTS AND CAN MEET THE REQUIREMENTS THE PROGRAM MANDATES. THE HEALTH DEPARTMENT HAS AN ADEQUATE PROFESSIONAL AND QUALIFIED MEDICAL STAFF AND EXPERIENCED PERSONNEL TO ADMINISTER HEALTH RELATED SERVICES. RECORD-KEEPING AND ACCOUNTABILITY WILL BE HANDLED BY THE MEMPHIS AND SHELBY COUNTY ACCOUNTING OFFICE AND COMPUTERIZED THE SAME AS ALL OTHER COUNTY GOVERNMENT FUNDS. THE NEWER CONCEPT FOR THE EXPANSION OF NUTRITION EDUCATION CALLS FOR BETTER AND SPECIAL RESOURCE FACILITIES TO REACH THE LARGEST NUMBER OF RECIPIENTS IN THIS COUNTY.

PAGE 2 PROGRAM NARRATIVE

THE MEMPHIS/SHELBY COUNTY COMMODITY SUPPLEMENTAL FOOD PROGRAM, OPERATING SINCE 1969, IS ONE OF THE LARGEST PROGRAMS IN THE NATION CONSISTING OF THE FOLLOWING UNIQUE CHARACTERISTICS:

- LINKAGE TO HEALTH CARE FACILITIES, EMPHASIS PLACED ON ONGOING ROUTINE HEALTH CARE PROVIDED BY SIX (6) PHYSICIANS, EIGHT (8) NUTRITIONISTS, ONE (1) HOME ECONOMIST, FIFTY-NINE (59) REGISTERED NURSES, FOURTEEN (14) LICENSED PRACTICAL NURSES AND TEN (10) NURSE PRACTITIONERS. WE HAVE LABORATORY FACILITIES TO ACCOMMODATE ALL PATIENT NEEDS.
- CERTIFICATION AND NUTRITION COUNSELING OF PROGRAM RECIPIENTS BY STAFF REGISTERED DIETITIANS.
- OPERATION OF A TRUCK STOP FOOD DELIVERY SYSTEM FOR THE TOTAL COUNTY.
- AN ACTIVE OUTREACH NETWORK THAT INCLUDES COMMUNITY, MEDICAL, SOCIAL AND CHURCH GROUPS.

WE PLAN TO USE EXISTING C.S.F.P. WAREHOUSE FACILITIES TO STORE FOOD MATERIALS RECEIVED ON THIS PROGRAM. FOOD PACKAGES WILL BE ASSEMBLED AND DELIVERED TO RECIPIENTS BY TWO (2) WAREHOUSE WORKERS IN COUNTY OWNED VEHICLES. VOLUNTEER AGENCIES LISTED IN THIS APPLICATION WILL ASSIST IN THIS DELIVERY SYSTEM.

MONITORING AND YEARLY EVALUATIONS WILL BE A PART OF THE PROCESS WITH CLEARLY DEFINED PLANS FOR FOLLOW-UP.

DESCRIPTION

GEOGRAPHIC BOUNDARIES (AREA SERVED)

THE CITY OF MEMPHIS AND SHELBY COUNTY, TENNESSEE, BOUNDED BY THE MISSISSIPPI RIVER ON THE WEST, TIPTON COUNTY ON THE NORTH, FAYETTE COUNTY ON THE EAST AND THE STATE OF MISSISSIPPI ON THE SOUTH.

POPULATION:

777,113

POPULATION OVER 60

102,366

PER CAPITA INCOME

\$5,466.00 - 1977

THE FOLLOWING PROGRAMS AND SERVICES ARE PRESENTLY AVAILABLE:

PRESENT AVAILABLE PROGRAMS:

C.S.F.P.

NUTRITION EDUCATION AND COUNSELING

FUNDS FOR NEEDY CHILDREN

CYNTHIA MILK FUND

WIC PROGRAM

PRIMARY HEALTH CLINICS:

BISSEON CLINIC - 602 WEST MITCHELL - 785-2701

CAWTHON CLINIC - 1000 HAYNES - 458-9112

GUTHRIE CLINIC - 1064 BREEDLOVE - 528-3947

HOLLYWOOD CLINIC - 2466 PERES - 528-3931

SOUTH MEMPHIS CLINIC - 1362 MISSISSIPPI - 528-3832

WELLINGTON CLINIC - 451 LINDEN - 528-3967

PART TIME HEALTH CLINICS:

BICKFORD PARK CLINIC - 232 BICKFORD - 528-3961

PART TIME HEALTH CLINICS, CONTD.

BORDA TOWERS CLINIC - 21 N. NEELY - 528-3796
EADS CLINIC - 12010 HIGHWAY 64 - 867-8118
HAMILTON CLINIC - 1378 ETHLYN AVENUE - 948-3705
LEMOYNE GARDENS CLINIC - 919 A LEMOYNE - 528-3855
RIVERVIEW CLINIC - 1891 KANSAS - 528-3768
SHADOWLAWN CLINIC - 7620 ROBINSON COVE - 388-3024
SOUTHPARK CLINIC - 1736 GETWELL ROAD - 743-8203
WELLS STATION CLINIC - 1610 WELLS STATION RD. - 683-9764
WOODSTOCK CLINIC - 2652 RUST AVENUE - 357-9361

• SEE EXHIBIT A

ELIGIBILITY

ELIGIBILITY FOR THE PROGRAM IS BASED ON AGE, INCOME AND CURRENT IDENTIFIED NUTRITIONAL RISK FACTORS (SEE CERTIFICATION FORM EXHIBIT C)

QUALIFICATIONS FOR CERTIFICATION

DUE TO LIMITED CASELOAD CAPABILITY, THE FOLLOWING PRIORITY SYSTEM WAS DEVELOPED TO ENSURE SERVICE TO THOSE RECIPIENTS WITH THE GREATEST NEEDS:

PRIORITY

INCOME

RECIPIENT OVER 60 YEARS OF AGE

HANDICAPPED:

1. BLIND
2. BEDRIDDEN
3. MARASMUS
4. DIABETES
5. HYPERTENSION
6. CARDIOVASCULAR DISEASE
7. OTHER

AFTER ELIGIBILITY HAS BEEN ESTABLISHED, A PROFESSIONAL (RN, NUTRITIONIST, DR., OR DESIGNEE OF THE DIRECTOR OF PUBLIC HEALTH) WILL DETERMINE THE NEED FOR COMMODITIES BASED ON NUTRITIONAL NEED.

THE CERTIFICATION OF A PERSON OR NOTIFICATION MUST TAKE PLACE WITHIN 20 DAYS OF THE PERSON'S FIRST VISIT, AND IF THE PERSON IS FOUND ELIGIBLE FOR THE PROGRAM HE/SHE MUST RECEIVE FOODS WITHIN 10 DAYS OF NOTIFICATION. CITIZENSHIP OR DURATIONAL RESIDENCY REQUIREMENTS WILL NOT BE IMPOSED AS A CONDITION FOR ELIGIBILITY.

PAGE 2 QUALIFICATIONS FOR CERTIFICATION

AFTER ELIGIBILITY HAS BEEN ESTABLISHED- THE RECIPIENT WILL BE ADVISED OF THE IMPORTANCE OF HEALTH CARE AND WHERE SUCH HEALTH CARE CAN BE OBTAINED.

IF, AT ANY TIME, THE RESOURCES (STAFF OR COMMODITY FOODS) ARE LIMITED, PRIORITY FOR THE PROGRAM WILL BE DETERMINED BY THE LOCAL AGENCY.

THE RECIPIENT WILL BE ISSUED AN IDENTIFICATION CARD (SEE EXHIBIT B) TO BE USED FOR PRESENTATION TO PRESCRIBING AGENCIES.

UPON PRESENTATION OF APPROPRIATE IDENTIFICATION CARDS ISSUED THROUGH THE CERTIFYING AGENCIES, PRESCRIBING OFFICIALS MAY ISSUE PRESCRIPTIONS CERTIFYING RECIPIENTS AS BEING IN NEED OF SUPPLEMENTAL FOODS AS PRESCRIBED.

THE RATES OF DISTRIBUTION ESTABLISHED BY THE USDA WILL BE PROVIDED TO THE PRESCRIBING OFFICIAL AND WILL CONFORM WHERE PRACTICABLE TO SUGGESTED COMBINATIONS OF THOSE FOODS WHICH THE U. S. DEPARTMENT OF AGRICULTURE MAY MAKE AVAILABLE. ALLOCATION WILL BE ON A PRESCRIPTION BASIS AND WILL BE CONTINGENT UPON THE NUTRITIONAL NEEDS OF THE RESPECTIVE RECIPIENTS AS DETERMINED BY THE PRESCRIBING OFFICIAL (SEE EXHIBIT C FOR RATES OF DISTRIBUTION)

QUANTITY AND KINDS OF FOODS MAY BE DECREASED, CONTINGENT UPON NEED, BUT SHALL NOT EXCEED RATES ESTABLISHED BY THE U. S. DEPARTMENT OF AGRICULTURE. RECIPIENTS MAY DECLINE ANY PORTION OF THE PRESCRIPTION THAT THEY SO DESIRE. CHANGES IN THE QUANTITY AND KINDS OF FOODS MUST BE DOCUMENTED ON THE PARTICIPANT RECORD.

CRITERIA FOR NUTRITION REFERRALS

ADULT HEALTH

BASIC (NORMAL) NUTRITION COUNSELING

DIABETES

1. ALL NEWLY DIAGNOSED DIABETICS
2. POOR DIABETES CONTROL, AS EVIDENCED BY ELEVATED BLOOD SUGAR AND/OR URINARY SUGAR
3. POOR DIABETES CONTROL, AS EVIDENCED BY WEIGHT GAIN
4. HYPOGLYCEMIC REACTION
5. UNDERWEIGHT OR UNNECESSARY WEIGHT LOSS DUE TO POOR DIETARY MANAGEMENT

HYPERTENSION

1. ALL HYPERTENSIVE PATIENTS ON THEIR INITIAL VISIT TO THE CLINIC
2. ALL HYPERTENSIVE PATIENTS AT ANY TIME BLOOD PRESSURE IS ELEVATED
3. ALL HYPERTENSIVE PATIENTS WITH A WRITTEN DIET ORDER FOR A LOW SALT OR LOW SODIUM DIET

OTHER

1. MEDICAL ORDERS FOR MODIFIED DIETS
2. OBESITY (AT LEAST 20% ABOVE DESIRED WEIGHT FOR HEIGHT)
3. UNDERWEIGHT (AT LEAST 10% BELOW DESIRED WEIGHT FOR HEIGHT)
4. EXCESSIVE WEIGHT LOSS (RECENT WEIGHT LOSS OF 10 LBS OR MORE)
5. ELEVATED SERUM CHOLESTEROL (ABOVE 250 MG %)
6. IRON-DEFICIENCY ANEMIA (H.C.T.-MALES UNDER 33%-FEMALES UNDER 35%)

TAILORING OF FOOD PACKAGE

ALL ELDERLY PROGRAM PARTICIPANTS WILL BE CERTIFIED BY STAFF NUTRITIONISTS.

THE FOOD PACKAGES FOR THE ELDERLY WILL BE DETERMINED BY A HEALTH DEPARTMENT REGISTERED DIETITIAN/NUTRITIONIST LOCATED WITHIN OUR AGENCY.

DIABETIC, HYPERTENSION, CARDIOVASCULAR PATIENTS WILL FOLLOW EXACT REFERRAL SYSTEM OR DIET AS PRESCRIBED BY ATTENDING PHYSICIAN.

SPECIAL DIET CATAGORIES WILL BE INDICATED ON THE CERTIFICATION FORM AND THE ALLOWABLE (TAILORED) FOODS WILL BE ISSUED.

OTHER COMPONENTS
INNOVATIVE PROJECT ENHANCEMENTS

1. FOOD DEMONSTRATIONS
 - USING FOOD PACKAGES FOR SPECIAL DIETS
 - FOOD MODELS
 - FOOD PREPARATION ON SITE IN SPECIAL HIGH RISK SENIOR
CITIZEN HOUSING UNITS
2. MONTHLY RECIPES
3. COOKBOOK FOR SENIORS
4. SPECIAL TIPS TO INCLUDE SPECIAL DIET IDEAS AND COOKING IN
SMALL QUANTITIES
5. TASTING SESSION USING UNPOPULAR NUTRITIOUS FOODS
6. HOW TO SELECT CONVENIENCE FOODS
7. EATING AWAY FROM HOME
8. HOW TO COPE WITH STRESS AS RELATED TO LIFESTYLE
9. IMPORTANCE OF VARIETY IN THE DIET
10. REFERRAL TO SOCIAL GROUPS FOR EXERCISE, DANCING AND PLANNED
PROGRAMS FOR SENIOR CITIZENS
11. SPECIAL NUTRITION FILMS FOR GERIATRIC PATIENTS TO BE SHOWN IN GROUPS
12. CONSUMER EDUCATION - LABEL READING

DIRECT

1. ONE TO ONE NUTRITION COUNSELING BY REGISTERED NUTRITIONIST FOR EACH
PROGRAM PARTICIPANT
2. MEDICAL RECORDS THAT INCLUDE THE SUBJECTIVE, OBJECTIVE, ASSESSMENT,
PLAN INTERVENTION, EVALUATION AND REVISION OF THE NUTRITION CARE
PLAN FOR EACH PARTICIPANT
3. SPECIAL CLASSES FOR DIABETIC, HYPERTENSIVE AND CARDIOVASCULAR DISEASE
PROGRAM PARTICIPANTS

FOOD DISTRIBUTION SYSTEM

THE FOOD WILL BE HOME DELIVERED BI-MONTHLY TO 80% OF THE PARTICIPANTS BY EXISTING COUNTY OWNED VEHICLES.

TRUCK DRIVERS AND WAREHOUSEMEN WILL ASSEMBLE AND DISTRIBUTE PRESCRIBED FOOD PACKAGES.

CONTRACTS AND AGREEMENTS WITH EXISTING ELDERLY FEEDING PROGRAMS WILL BE RESPONSIBLE FOR VOLUNTEER SERVICES FOR EXISTING HOME DELIVERY TO RECIPIENTS. LISTED BELOW ARE THE AGENCIES:

METROPOLITAN INTER-FAITH ASSOCIATION

MEALS ON WHEELS

CATHOLIC CHARITIES

FIG TREE

VOLUNTEER AGENCIES

DISTRICT HOME HEALTH NURSES

AND OTHER SERVICES (SEE MAP FOR GEOGRAPHIC LOCATION OF DELIVERY SITES, EXHIBIT A AND E)

FOOD WILL BE WAREHOUSED AT EXISTING LOCATIONS ALREADY APPROVED BY U.S.D.A. FOR THE COMMODITY SUPPLEMENTAL FOOD PROGRAM OPERATING IN SHELBY COUNTY, TENNESSEE. THE MAIN WAREHOUSE RESPONSIBLE FOR SHIPPING AND RECEIVING IS LOCATED ON A RAIL SIDING AND IS CAPABLE OF HANDLING FOOD STORAGE FOR THIS PROGRAM.

BUDGET 1982-1983

2100-2113	FEDERAL GOVERNMENT REFUNDS	31,300.00
	TOTAL REVENUE	31,300.00

PERSONNEL

3001-3011	SALARIES AND LABOR	18,912.00
3001-3045	UNEMPLOYMENT COMP.	142.00
3501-3510	RETIREMENT SYSTEM-CO.	2,176.00
3501-3530	GROUP LIFE INSURANCE	274.00
3501-3540	GROUP HOSP. INSURANCE	2,796.00
	TOTAL PERSONNEL	24,300.00

O & M

4001-4005	OFFICE SUPPLIES	117.00
4201-4202	PETROLEUM PRODUCTS	1,500.00
5201-5202	TRAVEL	1,000.00
5301-5302	STATIONARY & PRINTING	600.00
5701-5722	INDIRECT COST	3,783.00
	TOTAL O & M	7,000.00

TOTAL BUDGET	31,300.00
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TESTIMONY OF ROBERT J. FERSH, EXECUTIVE DIRECTOR
FOOD RESEARCH AND ACTION CENTER

Mr. Chairman and Members of the Subcommittee:

Thank you for the invitation to appear before you today. Needless to say, as the former Staff Director of this Subcommittee I am most familiar with its work. Through its many hearings in Washington and around the country, through its repeated leadership in enacting legislation to distribute surplus commodities, through its successful efforts to gain House passage of the "Preventing Hunger at Home" Resolution in 1983 and the Hunger Relief Act in 1984, and finally, through its recent success in reauthorizing and improving the Food Stamp Program in the Farm Bill, this Subcommittee has established itself as the center of both concern and action on the domestic hunger issue. The Subcommittee's achievements have been marked by a high degree of bipartisan cooperation. We at FRAC applaud your efforts and exhort you to continue your work until we can truly say that hunger in America no longer is an issue of public concern.

I hope that the Subcommittee will view the Food Research and Action Center as an ally and a resource in its continuing fight against hunger in America. Founded in 1970 as a public interest law firm, FRAC now has a multidisciplinary staff of attorneys, nutritionists, field workers and researchers. Through an extensive field network of low income persons (including the National Anti-Hunger Coalition), statewide food committees, food bank operators, legal services attorneys, and other advocates for

the poor, FRAC works to stay in touch with the reality of the lives of people affected by Federal programs. Through this grass roots network, as well as through our research and studies, FRAC attempts to provide accurate and credible information to policymakers and the public to assist the formulation of policy that is responsive to the needs of low income persons.

The Administration Budget -- Proposed Repeal of Food Security Act Provisions

Although it includes additional proposals, the core of the Administration's FY 1987 Food Stamp budget is repeal of the benefit improvements included in last year's Farm Bill (Public Law 99-198). We urge the Subcommittee to reject the President's budget.

In assessing the Administration's proposals for FY 1987, it is important to put into context the provisions enacted in the recent Farm Bill and the rationale for those choices. At the time of enactment, the Congressional Budget Office estimated the average cost of the Food Stamp Title at about \$100 million a year over the next five years -- or an increase of less than 1% in Food Stamp Program expenditures. These program restorations were certainly very small, especially compared to the cutbacks of \$1-2 billion a year enacted in the 1981-2 period.

Two other bases of comparison are also instructive. The

cost of the Food Stamp Title was only about one-third of the cost of HR 5151, the Hunger Relief Act, which passed the House by a vote of 364-39 in 1984. In addition, the net food stamp costs of the Farm Bill approximate the net costs of the food stamp recommendations of the 1984 President's Task Force on Food Assistance. Even taking into account the ill-advised increase in error rate sanctions recommended by the Task Force, the cost of the recently enacted Farm Bill is no greater than the cost of the Task Force's recommendations. (The Farm Bill did not go as far as the Task Force recommended in the area of assets limitations. In its changes in deductions, the Farm Bill addressed areas the Task Force identified as problems -- work incentives and high energy costs).

Despite their relatively small size, the benefit improvements in Public Law 98-198 are very important to low income persons and represent very sound social policy. Most of these changes were targeted to help the working poor.

The focus on the working poor was appropriate. Not only were the working poor subjected to disproportionate budget cutbacks in 1981 and 1982, but their tax burden has increased markedly in recent years. In 1984, the federal tax liability, of a family of four at the poverty line (about \$10,600 a year) was \$1076, compared to \$269 in 1978. In addition, the freeze on the minimum wage in effect since 1981 has depressed the purchasing

power of many working poor families by as much as 25 percent.

According to the Center on Budget and Policy Priorities, the number of persons aged 22 to 64 who work but are still poor has risen 60 percent since 1978. There are now 2 million Americans who work full-time year-round and are poor, a two-thirds increase since 1978. In 1983, 2.5 million poor children lived in families where a worker was employed full-time year round.

Restoration of the earned income deduction from 18 to 20 percent, easing the liquid assets limitations for most households from \$1500 to \$2000, and creation of a separate dependent care deduction are all steps that aid the working poor. Especially for single working women, the separate child care deduction should offer a major work incentive, as well as much needed relief. There is a crisis today in the availability of child care for the low income working parent. The Select Committee on Children, Youth and Families and groups like the Children's Defense Fund have amply documented this.

For the households expected to utilize it, the separate dependent care deduction can provide up to \$48 a month in increased benefits. Given the disturbing Census Bureau statistics on the incidence of poverty among female-headed families, this would be money well invested:

- Almost half of all persons in poverty, and over half of all poor children, live in female-headed households.
- About 34 percent of all persons living in female-headed families are poor.
- About 53 percent of all persons living in families headed by single black women are poor.
- About 54 percent of all persons living in families headed by single Hispanic women are poor.

The recent Farm Bill also provided relief to households with high shelter costs by increasing the cap on this deduction from \$139 to \$147, effective May 1, 1986. As the hearings of this Subcommittee amply documented, this help is sorely needed for those facing the "heat or eat" dilemma. Newly released USDA data on food stamp household characteristics indicate a recent sharp increase in the number of households using the maximum shelter deduction. Between February 1982 and February 1983, the percentage of all households qualifying for deductions equal to or greater than the current shelter cost cap increased from about 36 percent to nearly 42 percent. This development is consistent with the General Accounting office finding that the number of low income households paying more than half of their income for rent and utilities increased from 3.7 million in 1975 to 6.3 million

in 1983. A 1983 Census Bureau survey found that 55 percent of all renters with incomes below \$7000 a year spend more than 60 percent of their incomes on rent and utilities.

Thus, the key improvements mandated by the recent Farm Bill regarding assets and deductions represented wise policy choices. If anything, they did not go far enough in meeting the need. The cost of these provisions fell well within the constraints of the Congressional Budget. Repeal of these provisions, as well as other cutbacks proposed by the Administration, would contradict the spirit of the Gramm-Rudman protections for programs like food stamps. Additionally, in response to recently expressed concern that these improvements would break the bank in the current fiscal year, USDA indicated last week to the Senate Appropriations Committee that no supplemental appropriation should be needed this year to cover the costs of these changes.

Other Food Stamp Proposals

There are a few additional food stamp proposals of the Administration that I would like to address briefly:

Puerto Rico -- The Administration would repeal the modest, partial cost-of-living increase provided in the Farm Bill for the Nutrition Assistance Program effective in FY 1987. The result would be that funding for this program, which has been constant

since 1982, would be frozen indefinitely.

Since 1982, benefit and eligibility levels in Puerto Rico have been severely eroded by inflation. The experience in Puerto Rico should serve as a lesson for all other states that USDA has attempted to seduce with its perennial proposal to block grant the Food Stamp Program. I would caution, however, that if the increases in the Farm Bill for Puerto Rico are to become a reality, the Subcommittee will need to work closely and quickly with the Appropriations Committee.

Low Income Home Energy Assistance -- The Administration proposes to reduce benefits for certain recipients of energy assistance. To the extent cash energy assistance is utilized to pay energy bills, households would not be entitled to take a deduction for those expenses. This issue was dealt with exhaustively in the Farm Bill. When the federal energy assistance program was formulated several years ago, the extent of assistance available to low income persons was taken into account in developing eligibility criteria and funding levels for the program. Reducing food stamp benefits because of the receipt of cash energy assistance not only would add a whole new layer of administrative complexity to the program, but would undermine the effectiveness of energy assistance programs.

Error rate sanctions -- Although the Administration did not propose an increase in error rate sanctions last year, it is now again proposing to assess states dollar for dollar for errors in excess of 5 percent. The Administration's checkered history on

this issue -- several years ago the proposal was a 3 percent threshold to be phased down to zero -- suggests that this item may be more of a budget filler than an issue of principled concern.

Certainly, the current level of sanctions is sufficient to spur corrective action in the states. Just last month, the department announced \$80 million in sanctions for FY 1984. For FY 1985 and the foreseeable future, sanctions are projected to be about \$200 million a year.

FRAC's concern about fiscal sanctions is two-fold. First, any sanctions paid by states are likely to come out of human service programs. If the human service commissioner in a state presents a Governor with a bill for sanctions, the Governor is likely to ask that commissioner first to find room for it in his budget. While it is true that food stamp benefits are theoretically not affected by sanctions, related programs that serve the poor -- such as AFDC, Medicaid, and Social Services -- might well be. And, actual service to food stamp clients could be adversely affected by a cutback in food stamp personnel.

The second concern we have about sanctions is the potential effect they have on food stamp participation rates and the timeliness of benefit delivery. There is substantial anecdotal evidence that pressures to reduce errors is leading either to benefit delays, or denials of benefits to eligible persons, or to a verification process so cumbersome as to discourage participation. The Select Committee on Hunger came across these

issues in Mississippi in 1984. Off the record admissions of these problems are commonplace among state and local administrators.

Last week, a state food stamp official with fourteen years of experience in one southern state told a member of our staff the following in response to questions about increasing federal administrative requirements in the food stamp program:

"It started out being a very simple procedure, and now it's so utterly cumbersome and complex ... They have made it such a mess of paperwork, they've made it harder and harder to do our jobs. Since 1980, I would venture to say our paperwork has tripled...

"We spend all our time doing paperwork, not interviewing clients ... There are plenty of people who need food stamps and we get to a lot of them, but its getting harder and harder. The system is concentrating on processing paper, not helping people.

"All the paperwork causes delays. We know that, we see that ... We continually hear that county offices are behind and overworked. In the vast majority, the increased caseloads and extra paperwork have made the 30-day standard of promptness a real challenge. Where ...failing to meet the deadline used to be the

exception, now it's the rule. We're not meeting that requirement frequently ...as opposed to five years ago, when it was the exception if you didn't meet your deadline."

The effect of administrative practices on the accessibility of the Food Stamp Program to those in need is a serious concern. Last year the Urban Institute reported -- in a study mandated by Congress and commissioned by USDA -- that by 1983, food stamp participation was 600,000 persons lower than could be explained by all economic, demographic and policy variables. Today, food stamp participation remains low by historic standards, especially considering the relatively high rates of unemployment and poverty that persist.

We recommend that the Subcommittee take a close look at how administrative practices may be contributing to hunger in this country.

Also on the issue of quality control, I would like to draw the Subcommittee's attention to proposed regulations issued by the Department on March 21, 1986. These regulations raise fundamental questions about the fairness with which USDA intends to enforce error rate sanctions. These regulations increase the possibility of inconsistent determination of error rates around the country, eliminate the sole forum where states can appeal sanctions within the Department, and will likely result in states facing sanctions for non-errors. On top of all this, a key

portion of these proposals violates explicit language in the House Report on the Food Security Act of 1985 (House Report 99-271, Part I). This too is an area where the Subcommittee's involvement would be most welcome.

Employment and Training Programs

In the area of Food Stamp employment and training programs, the Administration seeks to undermine the carefully constructed compromise proposal of Representative Emerson that was adopted in last year's conference on the Farm Bill. While I believe the current law can be improved, the Administration's proposals go precisely in the wrong direction. The Administration appears to be offering the same approach that was rejected last year on the House floor and in the Senate Agriculture Committee.

The topic of employment and training programs deserves fuller treatment than time will allow today. I would like to offer a few observations.

The Administration last year forwarded a proposal for the AFDC program that was very similar to what is now proposed for Food Stamps. The General Accounting Office evaluated this proposal for the Committee on Government Operations and found that the Administration proposal was not only unjustified by research in the field but might even be counterproductive. Here's what GAO had to say last July:

....Basically the Administration's proposal would require mandatory large scale participation in work programs for welfare families, impose financial penalties on states if this is not achieved, and at the same time reduce federal funding to support work activities.

There are several problems with this proposal. First,

we have identified sufficient obstacles to indicate that implementing a large scale work effort at the same time that federal financial support is reduced may not be feasible. There is little evidence to date that shows that these programs can be implemented on a large scale or that they achieve savings in public expenditures; instead a national mandatory program could increase day care, transportation, and administrative costs. If states could not make up the difference in lost federal support, this proposal could result in a reduction in current work programs and fewer opportunities for welfare families to achieve self-sufficiency.

A new study by the Manpower Development Research Corporation suggests that a variety of employment and training approaches can achieve modest gains in increasing the employment and lessening the dependency of certain public assistance participants. The MDRC study also found (1) that the work ethic is very much alive among low income persons and (2) that the various employment and training models tested had the greatest positive impact on hard-to-employ groups. I believe that these findings confirm the inappropriateness of the Administration's employment and training proposal.

What the Administration proposes is that large numbers of employable food stamp participants must be run through an employment and training program. This clearly would be a waste of resources and I suspect would result in a massive bureaucracy that would do little more than keep track of whether participants have met paperwork requirements. Especially since USDA recommends a reduction in funding for employment and training in FY 1987, the only approaches states are likely to be able to afford will be the cheapest, most perfunctory and superficial approaches possible.

The overall food stamp caseload turns over by about one-third every 3-4 months. For employable households, the turnover rate is probably higher. It seems to make more sense to allow states to target resources in a meaningful way on the long-term unemployed than engage in the numbers game the Administration suggests. Certainly subjecting all employable persons to job search at application, as the Administration suggests, appears to be a waste of precious resources.

Fortunately, the Food Security Act provides states with the flexibility they need to target employment and training resources appropriately. Performance standards are supposed to vary from state to state, depending upon the approach a state chooses. If a state chooses a more intensive, expensive approach, it should be allowed to serve fewer people.

The Administration's FY 1987 legislative proposals for employment and training raise serious concern about whether USDA has grasped the direction and spirit of the Food Security Act. Many state officials have already expressed their wariness of USDA's intentions. This is an area where careful Congressional oversight is essential.

The Administration's approach to work requirements -- running so many people through the mill -- is of special concern to groups like FRAC. While no program can be run perfectly, we know that a massive compliance procedure will lead to increased errors and improper disqualifications as harried caseworkers try to keep up with the paperwork. These problems are

commonplace today and can only increase.

Consider the recent case of Mr. R, a participant in the San Diego workfare program. He received permission to leave his workfare assignment so he could complete application to become a police officer. He was given three weeks leave by his job development counselor. After one week, it was clear that the police job would not work out, so he called the welfare agency to get back on workfare and protect his benefits. But instead he was given a notice of adverse action, and was told his benefits would stop for three months for leaving the workfare project without "proper authorization."

Mr. R. subsequently won his case through the fair hearing process, but not without considerable hassle, a delay in his benefits, and additional expense to the public. He was the victim of the failure to communicate among the various public officials involved in administering workfare and welfare.

There are many other examples like Mr. R. While some such examples may be unavoidable, federal policies should minimize such impacts because of the hardship imposed on individual families.

The Administration Budget --TEFAP

Once again, the Administration is proposing elimination of any federal administrative funding for the Temporary Emergency Food Assistance Program of surplus commodity distribution. Although this recommendation is no surprise, one wonders why this Administration is not concerned about the inevitable drop in the

quality of administration and accountability that would occur from this proposal. The evidence is also clear that some states are likely to drop out or, at a minimum, reduce distribution to the needy.

The Northern California Hunger Action Coalition has spotlighted the critical need for federal administrative funding for TEFAP. A July 1985 survey of 50 agencies participating in TEFAP found that without adequate administrative funding, all of these agencies would have to sharply curtail services or close. Geraldine Bradley, executive director of the Kern County Economic Opportunity Council in Bakersfield stated in the survey that "we are totally dependent on commodities for survival; without them we would close." Kern County is the second largest agricultural county in the U.S. and receives \$6000 per month in TEFAP funds for distributing 65,000 pounds of food to 85,000 people. It is the \$6,000 in TEFAP funding that makes it possible to distribute these commodities.

In recent years, most states have been forced to compensate for substantial cutbacks in the many federal programs serving the poor. With so many vital needs going unmet in the states, it is our fear that states will not find the replacement of federal funding for TEFAP to be a priority. This is especially true since the value of state and local in kind and cash contributions to TEFAP administration probably already far exceeds the \$50 million a year the Federal government provides.

Next January 1, a matching requirement for state and local

administrative costs begins in the TEFAP program pursuant to the recently enacted Food Security Act. This requirement is more than sufficient to assure that states and localities contribute their fair share. While we believe the matching requirement was a mistake and unnecessary, and we have deep concern over how USDA will administer it, the new law ought to be given a chance to work and administrative funding should be provided.

FRAC is also concerned with the relatively recent cutbacks in commodity distribution, particularly in regard to unprocessed cheese. This is another area where we would be pleased to assist the Subcommittee's continuing oversight.

The Administration Budget -- CSFP and EFNEP

While a budget cutback for the Commodity Supplemental Food Program is not evident on the surface of the USDA budget for FY 1987, the Department seems intent on circumventing the intent expressed by Congress in the Food Security Act. To avoid serving more needy women, infants, and children and some low-income elderly persons, the Department has chosen to charge the CSFP program for the value of surplus, government owned commodities which heretofore were provided free. These commodities, which are otherwise not marketable, are thus being paid for by a program that serves exclusively low income women, infants, children, and elderly people.

The apparent reason for this change is simple. By charging the CSFP account for these commodities, the Department will be able to show there are insufficient program funds to open new

CSFP sites or serve elderly persons at existing sites, as provided for in the Food Security Act of 1985.

For the Expanded Food and Nutrition Education Program, the Administration again seeks to terminate funding. This program, which has been level-funded for many years, provides essential nutrition education services to low income households. It would be terribly shortsighted to eliminate it or reduce its funding.

Additional Legislation Needed

I know I do not need to rehash for this Subcommittee all of the evidence that hunger is a serious problem in our society. Your recent hearing in Detroit reaffirmed what you have heard in many locations before. Repeated surveys by the U.S. Conference of Mayors, FRAC's own Bitter Harvest reports, and countless other federal state and local reports document the problem. New studies continue to flow into our office every month. Frankly, we have reached the point where the burden should fall on those who deny the problem to prove that it doesn't exist.

I hope we have not fallen into the trap of having to prove hunger is growing every year in order to get some attention on this issue. There has been such an increase in hunger in recent years, that even with some improvement, we would still have a major problem on our hands.

Mr. Chairman, you have indicated your intention to introduce legislation to further strengthen federal nutrition programs. We at FRAC strongly encourage you to do so. While the Food Security Act was a good start, there is an unfinished agenda. Federal

food programs alone cannot put an end to hunger in America, but they are far from reaching their potential for doing so.

I would like to outline a few key areas in need of improvement. At a minimum, we believe benefits should be more closely tied to the actual cost of the Thrifty Food Plan. As your own Subcommittee study of last year indicated, food stamp benefits generally lag 4-5 percent behind actual food prices.

We think additional improvements can be made in the area of deductions. The increase in the shelter deduction cap to be implemented this May 1 does not fully compensate for the 21 month freeze on this deduction enacted in 1981 nor does it meet the need.

We believe that lowering the threshold for the elderly medical deduction, as passed by the House each of the past two years, is advisable. Not only would this proposal make the Food Stamp program compatible with the tax code, but it would offset the increasing co-payment and deductible expenses the elderly are experiencing in health insurance programs.

We also support, possibly through a change in deductions, a change in food stamp policy vis a vis students. The rules on student participation in the food stamp program are very strict and unfortunately discourage higher education for too many people. If a person works all day and wants to go to school at night, he or she cannot deduct any educational expenses incurred if they are paid out of earnings. If a person receives an educational grant, the only deductible expenses are those for

tuition and mandatory fees. If the grant also covers the cost of transportation to school and the cost of books, the Food Stamp Program assumes that this portion of the grant is available for food and benefits are reduced accordingly.

While there are those who argue that the Food Stamp Program should make no allowance whatsoever for students, this perspective is truly short-sighted. At a time of heightened national concern about the growth of a permanent underclass in this society, we should bend over backwards to encourage higher education leading to long-term economic self-sufficiency. Given the stringent income, asset, and work tests in the Food Stamp Program, we should assume that investing in participants who take the initiative to go to school is well worth the risk.

We also encourage you to again seek funding for food stamp information and outreach activities. As you may remember, this provision was dropped in the recent House-Senate conference on the farm bill. In response to a new report by Public Voice for Food and Health Policy documenting declining health and nutritional status in rural areas, Senate Majority Leader Robert Dole indicated a new willingness to look at the food stamp outreach program. Since Senator Dole also chairs the Senate Subcommittee on Nutrition, this could be an important breakthrough.

Aside from the Food Stamp Program, we encourage you to recommend improvements in nutrition education, child nutrition, WIC, elderly feeding, and other areas, as you did in the original

HR 5151, the Hunger Relief Act of 1984.

Conclusion

Before closing, I would like to offer a few observations from my personal experience that have relevance as to the appropriate roles of the public and private sector in alleviating hunger. For the past 18 months I have served as a volunteer at the Shepherd's Table, a soup kitchen in Silver Spring, Maryland. For the past six months, I have served on its board of directors.

The Shepherd's Table is located in Montgomery County, one of the nation's most affluent. When it initially opened in December 1983, it served about 30 people a night. Now it serves close to 120 people a night. I do not know if all of the growth in participation is due to increased hunger -- some undoubtedly was due to increased awareness of the program's availability -- but I do know that it serves the truly needy.

In a September 1984 survey of 24 of the 50 guests at the Shepherd's Table, 13 of the 24 reported having only one meal a day; 12 had eaten no food for over 3 days in a row; 17 had lost weight in the previous month without trying; and 19 did not have enough money to buy food.

I have attached to my testimony, and ask to be included in the hearing record, the results of a more scientific survey of 102 Shepherd's Table guests (94 men and 8 women) conducted last August. Among the findings were: 75 percent had incomes below \$200 a month; 50 percent had mental health problems; 50 percent were homeless; 20 percent were employed more than 6 months in

1985; and over 50 percent were under 35 years of age.

In the two year period of December 1983 through December 1985, the Shepherd's Table served 46,154 meals: 80 percent to men, 14 percent to women, and 6 percent to children.

I have learned from involvement with the Shepherd's Table that federal food programs alone cannot end hunger in America. Some of the soup kitchen participants simply are not capable of dealing with the welfare bureaucracy, even with help from supportive staff and volunteers.

What I have also learned from my Shepherd's Table experience is that anyone who thinks that the private voluntary sector can or should play an increasing role in fighting hunger, or can substitute for government programs, has wholly unrealistic expectations.

Serving about 100 meals a night, seven nights a week, is an enormous undertaking. Just recently, the Shepherd's Table increased its paid staff from two to four people. Over 400 volunteers a month (10-15 a night) are utilized to serve and prepare meals and they must be coordinated. Food must be ordered and stored, sanitation codes must be obeyed, funding must be raised (primarily from the private sector) to pay staff and utilities, and a host of logistical and security needs must be met.

In the past six months alone, the board of directors has had to deal with:

- Burnout by board members spending 20 hours a week or more of their own time keeping the soup kitchen going;
- Demands by neighbors that the soup kitchen be moved;
- Pressure from police to close down the soup kitchen because of their fear that it would become a magnet for troublemakers;
- The possibility that the church which donated the facility wanted to reclaim it for other uses; and,
- Such growth in the numbers of persons seeking aid that the facility may soon prove to be physically inadequate.

You can see that the operation of private, voluntary programs can be a precarious business. It certainly is not an efficient way to deliver aid. I hazard to guess that if another 20 people a night started coming for assistance, we could not handle it. The fact that some of these people also bring problems of homelessness, mental illness, and alcoholism to our door only compounds the problem.

In my view, the Shepherd's Table is truly stretched to the limit. There is a need for federal, state, and local government programs to take some of the load off the Shepherd's Table so that it can serve those people who uniquely need its services. The Shepherd's Table is just one example of a larger national problem. Too many people who could be helped more efficiently and effectively by regularized governmental assistance are falling through the cracks. That's where you can help.

(Attachment follows:)

PROFILE OF GUESTS AT SHEPHERD'S TABLE, INC.

AUGUST 1985

The Shepherd's Table, Inc., is a "soup kitchen" in downtown Silver Spring which serves local residents a hot, nutritious meal nightly. It was opened in December 1983, and has been kept in operation by over 250 volunteers. Funds from churches, synagogues, private organizations, corporations, and individuals are channeled through the Board of Trustees to support the operation. In an effort to provide better services to guests, and to aid in community education, the Board decided to survey its guests. A sixty-three question, self-report survey was administered on three consecutive nights at the serving site by trained volunteer counselors. The survey was designed by professional social workers, piloted, revised, and administered under their supervision. Guests quite willingly consented to complete the questionnaire, with refusals from only one young white couple, one Spanish family with two small children, two black men, one East Indian, and two black women. We tallied information from a total of 102 surveys. The average nightly serving figure in August 1985 was eighty-four persons.

In the following pages only the most pertinent information has been selected from the charts of totals. It has been condensed in narrative form for the busy reader. Because the data is not on a computer, a more exact profile involving data comparisons and correlations is not available at this time. The survey was completed by NINETY-FOUR MEN, and EIGHT WOMEN. Of the men, there were FIFTY-TWO BLACK MALES, THIRTY-SEVEN CAUCASIAN MALES, and FIVE LATIN MALES. Since only eight females completed the questionnaire, all Caucasian, these figures were not used in this information sheet. It seemed more useful to provide an exact profile of the men who eat at the Shepherd's Table, Inc.

When the Board committee studied the data, they felt obligated to advocate for services on behalf of the population. The report ends with recommendations to help this group attain self-sufficiency.

SURVEY INFORMATION

Personal History

AGE:

	Black Males		White Males		Latins		Total	
18-24	6	12%	7	19%	5	100%	18	19%
25-35	22	43%	18	49%			40	43%
36-50	16	32%	8	22%			24	26%
51-62	5	10%	3	8%			8	9%
63 & over	2	3%	1	2%			3	3%
	*51	100%	37	100%				100%

* One Black male did not give his age.

There are few senior citizens. Eighty-nine percent of the males are under age 51. Sixty-two percent of the males are under age 35. Nearly half of the men are in the age 25-35 category.

The men appear to be mostly locally born and educated. Fifty-one percent were born in Maryland, Virginia, and Washington, D.C. One-quarter were born in other states, and three percent were foreign born. Eighty-eight percent say they are citizens, and six percent report a "green card".

We asked the men if they thought they were "poor," or "middle-class" when they were growing up. Two-thirds felt that their parents raised them in middle-class circumstances. Twice as many black men remember that their families were poor than Caucasian men.

Two-thirds of all males (sixty-seven percent of the black males and seventy-eight percent of the white males) say they were raised in a two-parent family.

The men say they were locally educated. Over two-thirds of the men went to high school in Maryland, Virginia, or Washington, D.C. One-fifth went to high school in Montgomery County. Nearly half went to high school somewhere in Maryland.

The guests vary widely in the amount of education they report. Nearly half dropped out of school before completing grade twelve. Forty-four percent of the black males and nineteen percent of the white males do not have a high school diploma. On the other hand, one quarter of the black males and thirty-eight percent of the white males graduated from twelfth grade. Forty-three percent of all the latter males report some college. Ten percent of these males completed college. Four percent report graduate school.

Most of the men (forty-four percent black male and sixty-five percent white male) say they are single; i.e. never married.

Current Health Profile

One third of the men say they have acute or chronic physical illness. Most often reported from our check list were high blood pressure, toothaches, headaches, foot trouble, arthritis, heart trouble, and "other". Forty-one percent of the white males, and fifty percent of the black males have seen a doctor within the last six months. Many, (forty-three) percent of the white males and one third of the black males) say they have been in the hospital within the last year. The majority haven't seen a dentist this year. One third of the men say they have Medicaid or Medicare cards for medical care.

While we have no figures on mental illness, we did query the men concerning psychiatrists and use of the mental health clinics. The majority of the white males (fifty-two percent) and one-third of the black males say they have been to a mental health clinic or have seen a psychiatrist this year, or within the past two to three years. The same figures apply when asked whether they would see a psychiatrist if he/she came to the Shepherd's Table, Inc. without cost. Forty-one percent of the white males and twelve percent of the black males say they have been in the hospital for mental problems. None of the Latins report indications of mental illness. Fifty-four percent of the white males and seventeen percent of the black males say they have lived in a group home, i.e. sheltered residence for recovery from disability. The survey did not define "group home" by illness or handicap.

Men were asked about their drinking habits. One-quarter said they never drink, and half the men have a drink weekly. Perhaps a better indication of alcohol problems may be attendance at Alcoholics Anonymous. Thrity-eight percent of the white males and fifteen percent of the black males say they have attended AA. About one-fifth (sixteen percent of the white males; seven percent of black males) say they have been in an alcohol rehabilitation center. Forty percent of the men say they would attend AA meeting if they were held at Shepherd's Table, Inc.

Employment History

The men were asked "In what year did you last work more than six months?"

	Before 1980	1980	1981	1982	1983	1984	1985	No Answer	Total
Black Males	4 8%	8 15%	6 12%	4 8%	9 17%	13 25%	6 12%	2 3%	52 100%
White Males	2 5%	3 8%	5 14%	3 8%	4 10%	13 36%	7 19%	0	37 100%
Latins	0						5 100%		5 100
Total Males	6	11	11	7	13	26	18	2	94 100

While many of the men may not have reported exactly a 6 month work period within the year, still, it appears that one-fifth worked this year, and three-quarters did not work this year or last year. One-fourth of the men do not remember any extended work period since four to five years ago.

We asked the men if they presently try to find work at the "catch-out" corner, which is a day labor pool for casual labor. The majority of the black males say "yes", while only one-tenth of the white males go to the corner to line up to wait for the work truck. Incidentally, the young, strong, and those known to the labor boss are usually hired for a day's work.

In order to determine if a police record hindered employment opportunity for the men, we asked them to report whether they had been in jail or prison. One-third of the black males have spent time in jail or prison. The white males report slightly higher (38%). One third of all reporting confinement, thirty-seven percent, state "two months or less". Eight men say they were in prison one year or up to three years or more.

Current Income

The men were asked to describe their income source. One-third work, at least now and then, or at casual jobs. One-sixth listed "welfare"; ten percent listed "SSI". Four men said they received a veteran's check. Six men list family help. Three men receive unemployment benefits. One-fourth of the men have no income what-so-ever. One-quarter, as stated above, receive a fixed income (determined by eligibility) from the state or federal government.

Are the men poor? Forty percent say they receive less than \$100 a month income. One-quarter receive between \$100 and \$200 monthly.

Altogether, nearly three-quarters of the men say they live on less than \$200.00 per month. One-sixth claim \$200-400 a month, and these may be the men receiving Social Security Supplemental Income for disability.

We asked if the men received Food Stamps. Twenty percent are certified. Also six men use the handicap bus pass, and three stated that they receive the county rent supplement. Thirty-eight percent of the white males and nineteen percent of the black males had had "welfare" benefits in the past.

Nearly three-fourths of the men say they eat more than three times a week at the Shepherd's Table, Inc. One-third of the men say they have gone three or more days this year without food. In addition to taking meals with us, one half have used the services of our evening volunteer counselor team, one-third have come to take free showers on Wednesdays and Saturdays, and half have used the free clothes closet.

Current Living Situation

Fifty percent of the men are homeless. Twenty-eight percent of these men sleep at a shelter, while others say they sleep "on the street", in the park, in autos, hallways, or "nowhere". At the same time, as many guests (half), have a place to sleep. Most of these men rent rooms, some an apartment, and some share houses.

We asked where the men had last paid rent. We note that the homeless may have been local for several years even if they last paid rent in another state. Sixty-one percent stated they last paid rent in Maryland. Three percent named Virginia, and twenty percent last paid rent in Washington, D.C. Twelve percent named other states.

Present Social Support System

Two-thirds of the men have parents living, and all but five men have brothers and sister living. The majority of them stay in contact with family, and fifty percent state that they phone home at least once a month. One-quarter of the men, included in the latter figure, stay in touch with family weekly. On the other hand, one-third of the men have little or no contact with any family or relatives. One-third say they sleep at the home of friends sometimes, or once or twice a month. One third say they have personal property stored with friends or family.

One-quarter of the men claim that they attend religious services once a week, and another one-third attend church several times a year. Forty-four

percent of the men have no contact with religious institutions. One-third of the white males and two-thirds of the black males state they would attend prayer meetings if they were held at the Shepherd's Table, Inc. Three-fourths of the men, more black than white males, say they would like to volunteer to help at the Shepherd's Table, Inc.

SUMMARY

The information in the survey appears to be reliable, both because there is research as to the reliability of self-report surveys and also because the data coincides with what we can learn from national averages and current studies of like populations. Most of the men are under age 35, very poor, and disabled with physical or mental problems. In our survey, black men were less likely to have mental health histories, and more likely to be currently seeking work. Most of the men did not work for any extended period this year or last year. Only about one-fourth say they receive "welfare" or Social Security Supplemental Income, or a fixed/monthly benefit check. Few receive Food Stamps and most do not have medicaid benefits.

The majority of the men were born and educated locally, and nearly two-thirds last paid rent in Maryland. About half of the men have less than a high school education, while the other half has varying amounts of higher education.

About half of the men are homeless, though not all use the local shelters. Many have been hungry for three or more days, and most eat more than three times a week at our kitchen. One-half of the men have an apartment or room with very little income, and also eat frequently at our site.

One-third of the men are isolated from family, but a majority have not rejected family contact. Most have parents and brothers and sisters living, as one might expect with a group of men this young.

The survey has uncovered the human pain of unemployment, disability, homelessness or impoverished living conditions, of a local, not yet middle-aged population. The men receive little county or federal help and live a marginal existence in our community.

TESTIMONY OF
BARD SHOLLENBERGER
POLICY ANALYST ON DOMESTIC HUNGER
BREAD FOR THE WORLD

Chairman Panetta and Members of the Subcommittee, I am Bard Shollenberger and I am a Policy Analyst on Domestic Hunger with the national anti-hunger organization Bread for the World. I have worked on food stamp and other food assistance issues at the local, state and national level for fourteen years and have been with Bread for the World for four years.

I would like to thank you for inviting me to testify here today on the potential effect of the Administration's fiscal year 1987 budget proposals on the food stamp program, the Temporary Emergency Food Assistance Program (TEFAP), and related nutrition programs. I would also like to take this opportunity to make some recommendations for improving these programs to better meet the food assistance needs of poor and hungry people in our nation.

Mr. Chairman, I would first like to thank you on behalf of Bread for the World for your commitment, work and perseverance in obtaining funding increases and improvements in these programs last year--a significant accomplishment in this time of federal budget constraint--and for your contribution toward exempting food stamps and other food and nutrition assistance programs from the Gramm-Rudman--Hollings balanced budget law automatic spending cuts. Bread for the World will continue to work with you and other Members of Congress to protect these anti-hunger programs and to build upon their proven success to more fully meet the food and nutritional needs of poor people.

Bread for the World is a nationwide Christian citizens' movement of over 50,000 members organized in every state and congressional district who are actively involved in obtaining public policies to eliminate hunger in this nation and throughout the world. Many of our members and churches involved

with Bread for the World are also engaged in local anti-hunger activities such as volunteering at food banks and pantries, working in soup kitchens and shelters for the homeless, and conducting surveys of hunger in their communities. We have a long history of working to improve the federal response to the problems of hunger and poverty in the United States. However, we are fully aware that federal food assistance programs are but one necessary part of a comprehensive strategy to end hunger and poverty in this nation. For this reason Bread for the World is also involved in other public policy efforts such as tax relief for poor people, job training and employment policies, income assistance, and support for private and voluntary efforts to help meet the needs of low-income people.

I would like to place my remarks on the effect of the Administration's budget proposals for food assistance programs in the context of the scope of poverty and hunger in our nation. Over the past several years, our nation has experienced a dramatic increase in the number of people seeking emergency food assistance. The growth of this hunger problem is not surprising given the increase in the number of people living below the poverty level. The most recent poverty statistics show that in 1984 33.7 million Americans were poor. Of these, 13.3 million were children. Since 1980, over 4 million more Americans were living in poverty, representing one of the highest poverty levels since 1964. In addition to the rise in poverty, economic dislocations, reductions in programs vital to helping meet the basic needs of people, shrinkage of AFDC benefits, a decline in unemployment insurance coverage, and other factors have all contributed to the serious hunger problem in our nation.

This Subcommittee is well-aware of the problem. In the last three years it has conducted numerous field hearings in various areas of the country, has held hearings here in Washington, and has received personal testimony and documentation about hunger and the federal food assistance programs. In addition, the Domestic Task Force of the House Select Committee on Hunger has also conducted a number of hearings on the problem of hunger in the United States. The Subcommittee and other Members of Congress have received and reviewed numerous studies and reports of the problem including the following recent reports:

- O "Unfed America '85" issued by Bread for the World in October, 1985 highlighting Total hunger surveys conducted by Bread for the World members in over 30 locations around the country. The study documented an increase in the demand for emergency food of over 16 percent as well as an underutilization of several federal food assistance programs.
- O "Bitter Harvest II: A Status Report on the Need for Emergency Food Assistance in America" issued in December, 1985 by the Food Research and Action Center which surveyed 370 emergency food providers in 47 states and the District of Columbia. The survey indicated an average increase of 17 percent in the number of households served by these providers between 1984 and 1985. The survey also showed that nearly 90 percent of those people served came for emergency food assistance because food stamps and other resources did not last the entire month.
- O "The Growth of Hunger, Homelessness and Poverty in America's Cities in 1985" a 25-city survey released in January, 1986 by the United States Conference of Mayors. The report showed an average increase of 28 percent in the demand for emergency food and an average 17 percent unmet need for food assistance. 88 percent of the cities anticipated that the demand for emergency food will increase in 1986.
- O "Hunger Counties 1986" issued in January, 1986 by the Physician Task Force on Hunger in America. The report identified 150 counties where more than 20 percent of the population live on incomes below the poverty line and fewer than one-third of the eligible needy residents participated in the food stamp program.

- 0 "Rising Poverty, Declining Health: The Nutritional Status of the Rural Poor" a year-long study by Public Voice for Food and Health Policy issued on March 25, 1986. Among their other findings, the comprehensive study shows: that the rural poor are less likely to consume adequate nutrient levels than the non-poor; that rural poor children were growth stunted over 2 1/2 times as often as non-poor children (an accepted indicator of long-term or chronic undernutrition); that low birthweight rates, also linked to poor nutrition, were significantly higher in poor rural counties than in the rest of the nation; that between 1981 and 1983 the infant mortality rate increased in rural poor counties; and that a large and growing number of rural poor residents were receiving less or no food stamp benefits. Between 1979 and 1983 the number of rural poor people not receiving food stamps increased by 32 percent.

One thing is clear--from the testimony that has been received by this Subcommittee, from the numerous studies and surveys that have been conducted, and from those among us who have experienced hunger first hand--the irrefutable fact that there are hungry people in America.

People may disagree about the severity of the problem and over how many people are affected by hunger. Some may disagree over whether hunger is increasing or decreasing. Others may differ on the location of the most severe hunger problems and the methodology used in obtaining hunger data. Some disagree on the causes of hunger and what the best solutions should be. What I hope we can all agree on is that hunger--whatever its scope, nature and cause--should not be tolerated in our nation.

Despite concern over the reliability of the reports of hunger, the evidence of the problem continues to mount and points to the inability of private and

voluntary groups to fully meet the increased demand for emergency food and the failure of food assistance programs to provide adequate benefits for many participants and to serve many people in need of benefits.

One thing all of these studies point to is the need for a comprehensive and on-going national system of nutrition monitoring to accurately tell us of nutritional problems among our population. The need for better data is clear and the nutrition monitoring system has been recommended by the President's Task Force on Food Assistance as well as by numerous other groups and organizations. Bread for the World is but one of a number of supporters of H.R. 2436--The National Nutrition Monitoring and Related Research Act--which is currently before the House.

While the need for data is clear, we can not and should not wait for additional data to continue to address the hunger problem in our country. Bread for the World believes that adequately funded and effectively administered federal food assistance programs are vital and necessary resources that can be successful in eliminating hunger in the United States.

Congress made significant improvements to the food stamp program last year which, if implemented, would improve benefits, expand eligibility, and would provide more meaningful employment and training programs for participants. The proposed fiscal year 1987 budget of the Administration would negate these program improvements and call for further cuts in food stamps, a termination of administrative funding for the Temporary Emergency Food Assistance Program (TEFAP), and a "freeze" in funding for the Nutrition Assistance Program in Puerto Rico. To again propose these cuts which Congress has rejected in the past and to call for the repeal of

program improvements made by Congress last year is at best absurd and will only further deepen and continue the already severe hunger crisis in our nation. Bread for the World is strongly opposed to cuts in these programs as well as the Administration's proposed cuts in child nutrition programs, WIC, and other programs for low-income people.

FOOD STAMP PROGRAM

Budget documents explaining the proposed cuts in the food stamp program state that benefits will not be reduced and that savings will be made mainly through "administrative reforms" in the program. In actuality, over three-fourths of the \$350 million in proposed cuts made in fiscal year 1987 are benefit cuts.

- 1) Repeal of benefit increases and expanded eligibility provisions enacted under the Food Security Act of 1985.

The majority of the cuts proposed by the Administration would come from the repeal of the benefit increases and expanded eligibility provisions passed by Congress in December, 1985. The Administration proposes to repeal these increases before their scheduled implementation on May 1, 1986. Repeal of these provisions would result in cuts of \$69 million in the current fiscal year, \$189 million in fiscal year 1987, and nearly \$1 billion over the five-year life of the bill. These provisions are the largest and most important improvements to the food stamp program since 1977.

Specifically, the Administration is proposing to repeal the following benefit

enhancements and expanded eligibility provisions:

- Increasing the assets limits for most households from \$1,500 to \$2,000 and allowing all elderly households with one or more persons to have assets up to \$3,000.
- Increasing the earned income deduction from 18 percent to 20 percent.
- Separating and increasing the maximum limit of the dependent care deduction (\$160 per month) and the excess shelter deduction (\$147 per month, indexed).

- 2) Require states to implement a new work requirement for all employable food stamp program applicants and participants.

The food stamp provisions passed by Congress last year include an Employment and Training Program crafted largely by Congressman Emerson. The Employment and Training Program requires states to establish meaningful work programs and gives them flexibility to design programs to best meet the needs of their food stamp program participants. States would also have the flexibility to design programs to target these work programs to certain segments of the food stamp population to make maximum use of the limited funding available and to better ensure meaningful work programs and not simply paperwork exercises for participants and states. No performance standards are mandated in the program but the Secretary

may establish standards for the number of participants to be served by the program.

The Administration's proposal is directly contrary to the Employment and Training Program adopted by Congress. Under the proposal all eligible employable food stamp program applicants and participants would be required to take part in job search requirements. The proposal also sets performance standards for the number of participants to be engaged in employment and training activities. These standards begin at 25 percent and increase to 75 percent of the eligible food stamp program participants. The Administration would also reduce the amount of funding available to the states to operate the employment and training programs.

The proposal would result in states operating programs aimed only at moving people through the employment program "system" to meet performance quotas and would not result in improving the employment situation for program participants.

The proposal results in benefit reductions of \$82 million and increased administrative costs of \$16 million for a net reduction of \$66 million in fiscal year 1987. The benefit savings would be obtained, according to USDA, as a result of participants finding employment and thus reducing or terminating food stamp benefits and from some participants being "determined ineligible because they choose not to comply with the work requirements." Despite rhetoric to the contrary, the Administration's work proposals will not result in removing people "from the spiders' web of dependency" but will surely remove otherwise eligible people from the food stamp program.

- 3) Disallowing the counting of cash energy assistance payments toward the excess shelter deduction.

Under a provision included in the food stamp legislation passed by Congress last year, energy assistance payments made directly to a household may be counted toward the excess shelter deduction. Energy assistance payments made directly to a utility company may not be applied toward the excess shelter deduction.

The Administration proposes to disallow counting cash payments toward the excess shelter deduction. The proposal results in a \$68 million cut in benefits to those households receiving energy assistance payments in fiscal year 1987 and further exacerbates the dilemma of many people who have to choose between heating their homes or feeding their families.

- 4) Counting stipends and other payments under the Job Training Partnership Act (JTPA) as income for food stamp purposes.

A provision included in the food stamp legislation passed by Congress last year allows only earnings paid under the JTPA to count as income.

The Administration proposes to now count stipends and other JTPA payments as income for food stamp purposes. The proposal would cut \$10 million in benefits to those people receiving payments through the JTPA.

5) Increasing State error rate sanctions.

Under current law, states are required to pay back to the federal government a percentage of benefits that are issued in error (overpayments or payments to households that are ineligible for benefits). There is also a moratorium on the collection of sanctions and a study of the quality control system included in the food stamp legislation passed by Congress last year.

The Administration's proposal would greatly increase state error rate sanctions by requiring states to repay in full all benefits issued in error above a tolerance rate of 5 percent. The proposal would result in savings of \$11 million in fiscal year 1987. The full effect of the proposal would not take place until fiscal year 1988 when it is expected to be much greater.

There is currently much concern that with the focus on reducing errors, states are more concerned with not facing fiscal sanctions and less concerned with getting food stamp benefits to those in need.

6) Changing the state/federal administrative funding formula.

Under current law, most of the costs of state administration of the food stamp program are shared with the federal government on a 50/50 basis. Some costs such as anti-fraud and automated data processing activities are shared on a 75 percent federal/ 25 percent state basis.

The Administration proposes to decrease the federal share of anti-fraud and computer costs to 50 percent. The Administration also proposes that states with an average

per recipient administrative expense in excess of 175 percent of the national average receive a 25 percent federal match for that portion of administrative expense in excess of 175 percent. These proposals would reduce federal administrative funding to the states by \$6.3 million in fiscal year 1987 and could adversely affect client services.

NUTRITION ASSISTANCE FOR PUERTO RICO

In 1982, Puerto Rico was removed from participation in the federal food stamp program due primarily to fiscal reasons. Congress then established the Nutrition Assistance Program for Puerto Rico through a block grant with a funding level of \$825 million--a cut from previous funding levels of approximately 20 percent. The Nutrition Assistance Program for Puerto Rico has been frozen at the \$825 million level since that time and will receive only \$820 million in fiscal year 1986 due to funding reductions made in the continuing resolution.

The Administration proposes a funding level of \$825 million in fiscal year 1987 for the Nutrition Assistance Program for Puerto Rico and counts this as a \$5 million increase. In actuality, it is a decrease in funding. The legislation passed by Congress last year provided \$853 million in fiscal year 1987 for the Nutrition Assistance Program so the Administration's proposal would result in a cut in funding of \$28 million. In addition, the Congressional Budget Office determined the current services cost of the program to be \$902 million in fiscal year 1987 if the program received a cost-of-living increase in fiscal year 1986. Using this baseline, the Administration's proposal would result in a decrease in funding

of \$77 million. Congress should maintain funding for the program at the levels approved last year as part of the Food Security Act.

TEMPORARY EMERGENCY FOOD ASSISTANCE PROGRAM (TEFAP)

The Administration is again proposing to eliminate all federal administrative funding for TEFAP that assists states and local organizations to store and distribute surplus government commodities such as cheese, non-fat dry milk, butter, etc. Under the proposal, many states and local emergency food providers would no longer be able to participate in the program and low-income people would be denied access to these commodities.

During fiscal years 1983 through 1986, TEFAP was authorized and funding was appropriated to support states and local organizations providing emergency food assistance and distributing surplus commodities to poor people. TEFAP received \$57 million in administrative funding in fiscal year 1985 and is currently funded at \$47.6 million. Organizations that are helped by this funding are food banks, soup kitchens, food pantries, and churches and community groups that distribute surplus commodities to poor people. The funding is available to help defray some of the cost of storage, transportation, and distribution of the commodities.

Many of our members and churches affiliated with Bread for the World are actively involved in providing emergency food assistance to families and individuals in their communities--many of whom are not participating in

other food assistance programs or whose food stamp and other resources simply do not stretch far enough to provide an adequate diet throughout the month. Many of these emergency food providers tell us that they are unable to keep up with the demand for emergency food in their communities and that funds available through TEFAP and other sources do not come close to meeting their costs associated with surplus commodity distribution. In addition, many areas remain unserved or underserved by the program.

In a telephone survey of over 30 states conducted last week, the overwhelming criticism of TEFAP was the need for more administrative funding. It is clear that the states are not making money operating the program and most could not continue to operate TEFAP without federal administrative funding at current levels.

Most states rely on volunteer networks to operate the program and to reduce state costs for processing and distributing surplus commodities. For example, Missouri claims that it is actually losing money by operating TEFAP and Iowa is considering not continuing to participate in the program even if the current level of federal administrative funding is maintained.

Bread for the World is opposed to the Administration's proposed cuts in these programs as well as the proposed reductions in other nutrition assistance and other programs for low-income people. Any further reductions in these programs would further aggravate the hunger problem in this nation. Although the Senate Budget Committee and the House of Representatives have already rejected

the Administration's budget, there will continue to be pressure to cut funding for these programs. The Administration and its supporters are planning on introducing legislation to accomplish these cuts (Senator Helms introduced legislation last month to repeal the benefit increases and expanded eligibility provisions passed by Congress last year as well as removing the exemption for certain low-income programs in the Gramm-Rudman-Hollings law) and will strongly resist any effort to improve these programs. Congress should strongly fight any attempt to reduce these vital programs aimed at assisting the most vulnerable people in our society.

Further, Bread for the World believes that certain improvements can be made in the food stamp and other nutrition assistance programs. As long as hunger persists in our society, the food stamp and other federal food assistance programs will be our main and best avenue to address it. The food stamp program should be improved specifically to address two problems:

- the inadequacy of benefits levels for many participants
- underutilization of the program by many poor people who are eligible to participate.

Bread for the World recommends that Congress consider the following program improvements:

- 1) Basing food stamp benefits prospectively to more accurately reflect the actual cost of food.

This provision was contained in the Hunger Relief Act of 1984 as introduced

by Congressman Panetta but was not enacted by Congress.

This provision would base food stamp allotments for a given fiscal year on the projected average cost of the Thrifty Food Plan for that year, rather than current law which bases food stamp allotments on the cost of the Thrifty Food Plan for June of the prior fiscal year. Under current law, food stamp benefits lag 3 to 15 months behind the actual cost of food due to the delay in adjusting benefits to keep pace with food price inflation. A study on the Thrifty Food Plan conducted by this Subcommittee pointed to this lag in benefits as one reason why some households found benefit levels to be inadequate.

Basing benefits prospectively is a more equitable basis for determining benefits and would assist participants in obtaining a more nutritionally adequate diet.

2) Raising the cap on the shelter deduction to at least \$175 per month.

The food stamp program provisions passed by Congress last year raised the excess shelter deduction cap to \$147 per month and established a separate dependent care deduction of \$160 per month. The Administration proposes to repeal this benefit enhancement and would maintain current law of a combined dependent care/excess shelter deduction currently set at \$139 per month.

These deductions were combined in 1977 to prohibit households with high incomes from participating in the program. Combined deductions are no longer necessary due to the gross income eligibility limit of 130 percent of the poverty level which automatically eliminates households with higher income from participating

in the program.

Raising the excess shelter deduction further--to at least \$175 per month--would ease the burden for those food stamp households that have high shelter costs by allowing a higher deduction and thus increasing food stamp benefits.

- 3) Raising the allowable excess medical deduction for the elderly and disabled to \$35 or 5 percent of monthly income, whichever is less.

This provision was included in the food stamp legislation approved by the House of Representatives last year, but was not accepted in Conference with the Senate.

The provision would lower the threshold for medical deductions for the elderly and disabled to \$35 or 5 percent of monthly income. Under current law, elderly and disabled food stamp program participants are required to pay the first \$35 in monthly medical expenses before beginning to calculate their medical deduction. For most of these participants, this is an undue hardship and results in fewer food stamp benefits.

The mean gross income for households which include an elderly or disabled person is approximately \$300 per month. \$35 of medical expenses represents 12 percent of the gross income of these households. Under current tax law, people who claim a medical deduction pay only the first 5 percent of medical expenses before the remainder becomes eligible for the tax deduction.

For the average elderly or disabled recipient, the effect of the provision would

be to have all medical expenses above \$15 deductible for determining food stamp eligibility and benefit levels. Higher income recipients would have a higher threshold and lower income recipients would have a lower threshold.

- 4) Increasing asset limits for all elderly households from \$3,000 to \$3,500 and from \$2,000 to \$2,500 for all other households.

A similar provision was approved by the House last year but was modified and scaled back in Conference with the Senate. A similar provision was also recommended by the President's Task Force on Food Assistance in January, 1984.

The Administration is proposing to repeal the modest increase in the assets limits approved by Congress last year.

The current assets limit was set in 1971 and was only adjusted last year. The President's Task Force on Food Assistance and other studies have shown that many low-income households are being excluded from the program because the asset limits are low.

- 5) Restoring mandatory food stamp program information and outreach to inform potential program participants of the availability of the the program and its eligibility requirements.

A program information provision was included in the House food stamp legislation last year but was deleted in Conference with the Senate.

Prior to the Omnibus Budget Reconciliation Act of 1981, program information and outreach was part of food stamp law. Currently, the federal government imposes

no outreach requirement on the states. There is currently, however, a national food stamp outreach campaign underway supported by the Ad Council and organized by the National Committee for Food and Shelter. This campaign was conceived and begun by John Driggs, former mayor of Phoenix and a member of the President's Task Force on Food Assistance.

Numerous studies have shown that a lack of program information is a contributing factor of low participation rates--particularly among the elderly, the "new poor", and people residing in rural areas. A February, 1986 study by the Center on Budget and Policy Priorities shows that while there were approximately 4 million more people living in poverty in 1985 than in 1980, food stamp program participation is at the same level. While they state that there may be many reasons for this level of participation, "the elimination of outreach may have been a modest contributing factor."

The food stamp program can make efforts to assure that poor people eligible for the program actually participate. Outreach should again become a mandatory program conducted by the states as an allowable administrative expense reimbursed by the USDA at a level of at least 50 percent of such costs. Outreach and information activities could be targeted on populations reflecting serious levels of non-participation such as the elderly, unemployed people and poor people residing in rural areas.

Temporary Emergency Food Assistance Program (TEFAP) Administrative Funding

Federal administrative funding should continue to be provided to states and local groups to assist them in distributing surplus commodities to the poor. As noted

earlier, the Administration would provide no funding for state and local administrative costs. This is an extremely short-sighted reduction which would undermine a largely voluntary effort to provide emergency food assistance to poor people. The Temporary Emergency Food Assistance Program should continue to receive funding support from the federal government. According to USDA statistics, over \$3 billion worth of surplus commodities have been distributed through this program serving over 23 million people each year. The distribution of commodities was accomplished with minimal administrative cost at the state and local level and resulted in the savings of storage costs to the federal government.

If no federal funding is made available to assist states and local groups to distribute these commodities, many states and local food providers would drop out of the program. Poor people would, therefore, be unable to obtain these commodities due to the lack of federal administrative support.

Bread for the World recommends a funding level of \$65 million for the administrative costs of states and local groups engaged in distributing commodities through the program. This would enable states and local groups to receive additional funding to cover more of their costs and would enable currently unserved areas to participate in the program.

CONCLUSION

The Administration's proposal to repeal the modest increases made in the food stamp program last year as well as its proposals to further reduce funding for the food stamp and other nutrition assistance programs is a callous disregard of the hunger problem and the people who are suffering from this needless condition.

At a time when hunger is a significant problem in America, Congress should not fall victim to deficit-mania by reducing funding for these programs. Rather, Congress should make these programs a priority and should make further program improvements and make more funding available. Congress must take the lead in making the elimination of hunger in America a national policy of the highest order. With its leadership and the support of all its citizens, this nation can eradicate hunger.

Again, I want to thank the Subcommittee for the opportunity to present our views and trust that you will again take the lead in opposing cuts in these programs and will work to make these programs more responsive to the needs of hungry and poor people.

Presentation to the House Sub-Committee on Agriculture
Janis G. Rhoads, Regional Representative, National Community Action
Agency Directors' Association (NCAADA)
Executive Director, Southeastern Idaho Community Action Agency

April 16, 1986

Hunger, want and unemployment plague Idaho to the same degree that they do in the rest of the country. The differences lie in the isolation, sparse population, distances involved and available resources for Idaho's poor. Soup kitchens and group shelters are only feasible in the largest of the towns - Boise and Pocatello - and other ways must be found to reach the small communities that are dotted across the 82,677 square miles which is home for less than one million people. In the area our Community Action Agency serves, there are only 136,526 people spread out over 9,200 square miles. Our city, Pocatello, has only about 50,000 population and is the second largest city in the State.

Idaho's unemployment rate remains high. Our timber industry, mining and agriculture have all suffered severe cutbacks in the last few years and people are hungry and discouraged. Getting assistance to these people in a cost-effective way is the reason that CAP agencies function so well. All CAP's have large numbers of volunteers and could not provide services to the extent they do without this help.

Our Agency, like the other CAP's in our Region, fights poverty on several fronts. We all serve as the USDA's arm to distribute surplus commodities to the poor and we weatherize home and help with fuel costs. Our particular area has had wonderful results in a market salvage program where outdated and damaged foodstuffs are gathered from the markets by volunteers and shared with other needy families. Last year our teams salvaged 45,129 lbs. of such food with a value of about \$51,000 and 742 people in our area benefited. We have even more markets and volunteers this year and it is making a real impact on hunger. Summer and Fall sees a generous community sharing the harvest of gardens and orchards. We also sponsor a large canned food drive each year for the benefit of the food pantries in our area. We worked with other agencies in securing a transient shelter and were able to stock its pantry with gleaned and salvaged foodstuff. We also prepared emergency food baskets for dire situations. In our State it can take from three to forty-five days to obtain food stamps and many people do not apply until they are desperate. The food baskets helped.

Rhoads, Report to Sub-Committee - Page 2

In FY85 Idaho distributed 5,083,720 lbs. of USDA surplus commodities. This represents about 20,000 households each month. Support in the form of volunteers, space to distribute and transportation of food has been gratifying, but transportation is especially difficult. The volunteers tend to be elderly women and they come long distances from their distribution sites to reach our storage facility and loading and unloading is particularly difficult. Funding for the program is always a problem. We are not advised of the amount available and it is always late and sometimes only a one month allocation arrives. Our agency had only \$18,000 last year and storage costs came to \$14,000. This means that our agency was running a deficit program as staff time had to be donated from other programs to coordinate and monitor commodities. Volunteers do all the disbursing in the fields. We have fifteen distribution sites in our area and further consolidation would not be practical because of geographical features. Funding for this program is also after-the-fact and late which necessitates a lot of amendments to the contracts that the State has with the CAP Agencies. It would be most helpful if the total allocation could be known and if the funds could arrive at least quarterly.

Another troubling aspect with the program is that it is almost entirely volunteer with staff only coordinating and monitoring to whatever extent is possible. Records at the distribution sites are apt to be sketchy and inaccurate. There is rarely any real violation at the sites - the records are just as likely to show excesses as to show losses - but keeping them at all is difficult for the elderly volunteers to manage. It is not often that someone in a small community will misrepresent himself to the volunteer doing the certification as the volunteer is surely a neighbor. In monitoring and checking shortages we almost always find that the problems are with damage and faulty arithmetic. We would like to see a more generous allowance for long/short/damaged situations. Packaging is often inadequate and it leaves the CAP's liable for broken sacks, crushed boxes and poor inventory procedures. All this is a burden for agencies not funded to cover such monitoring.

One of our projects is an 88-unit apartment for seniors and we are aware that most of those seniors and others in the area qualify for only \$10 in food stamps a month. The Department of Health & Welfare reports that many of

Rhoads, Report to Sub-Committee - Page 3

these seniors might qualify for a deduction due to large medical expense, but in truth, many do not apply as they do not understand the process or are unable to furnish required verification. Health & Welfare simply does not have staff to seek out these mostly home-bound people to see that they are being served properly. They tell us that some of the difficulties lie in the fact that USDA administers the food stamp program and the rest of the process is run by Health & Human Services and there is very little coordination between them. It would help if the Social Security Offices could certify their clients for food stamps. This lack of food stamp help makes our Commodities Program even more necessary, but continuing the program without adequate funding is questionable.

Last year we had a large amount of Title I food that we used for the emergency food baskets and the transient shelter. Something along this line would be so valuable to our clients. When someone walked into our Agency, we were able to respond immediately with Title I foodstuff. This fed not only the transients, but also refugee families who were waiting for jobs or further assistance such as food stamps.

In closing, I want to stress that the Community Action Agencies are out there doing battle with the causes of poverty, but we could use more ammunition in the form of funding that is adequate and secure and cooperation with other agencies with the same goals. We need to find a way to have the clients determined to be eligible for all services and a way to monitor programs and services without endangering the other small funds we have for other vitally-needed services. Despite the smaller caseloads, agencies in rural areas need to have distance, isolation, and geography all taken into consideration when programs are planned and funded.

Community Action is alive and functioning and needs all the support it can get!

5/86

Follow up material for the Subcommittee on Domestic Marketing, Consumer Relations and Nutrition.

Janis G. Rhoads, National Community Action Agency Executive Directors Assoc.
Executive Director, Southeastern Idaho Community Action
Agency, Pocatello, Idaho 83204

After a little research, we find that Community Action Agencies administer TEFAP funds in 47 states. In twenty four of these states, the CAAs are the sole or chief administrators of TEFAP at the local level. The amount of participation varies in twenty three of the states. Even in the three states where there is no TEFAP administrative funding for the CAAs, these local agencies still participate by serving as distribution sites, providing staff and volunteers and other supportive services.

Therefore, CSBG administrative funds supplement TEFAP in all fifty states. In some instances, CSBG supplements equal the amount received by the states for TEFAP administrative allowance.

Idaho is typical of the other states in that CSBG funding is vital to the functioning of the CAAs in that it makes it possible for the agencies to assist programs that do not include administrative support, such as surplus commodities distribution.

The CAAs have networks in place which allow them to handle the TEFAP program. If the State of Idaho lost their TEFAP funds the consensus is that the program could not be maintained.

Displacement is not an issue in Idaho. We have had potato growers donating potatoes for the commodities distributions; the Wheat Growers' Association has donated bread to supplement these distributions and we have had good cooperation with the dairy farmers who have also shared their products with the needy. Unfortunately, some of these providers are now in our distribution lines.

This Commodities Program is important to our low income population. Hunger is increasing and we need all the food assistance we can get.

United States General Accounting Office
Washington, D.C. 20548

FOR RELEASE ON DELIVERY
Expected at 2:00 p.m. EST.
Wednesday, April 16, 1986

STATEMENT OF
BRIAN P. CROWLEY
SENIOR ASSOCIATE DIRECTOR
RESOURCES, COMMUNITY, AND ECONOMIC DEVELOPMENT DIVISION
BEFORE THE
SUBCOMMITTEE ON DOMESTIC MARKETING,
CONSUMER RELATIONS, AND NUTRITION
OF THE
HOUSE COMMITTEE ON AGRICULTURE
ON THE
USDA AND OTHER PROPOSALS TO
REDUCE FOOD STAMP PROGRAM EXPENDITURES

Mr. Chairman and Members of the Subcommittee:

We are pleased to be here today at your invitation to discuss work relating to the Department of Agriculture's Food Stamp Program. You specifically asked that we describe the results of recent GAO reports that address USDA's fiscal year 1987 budget proposals or that offer some alternative and/or additional approaches for saving Food Stamp Program dollars.

As you are well aware, USDA's fiscal year 1987 budget proposals would revise several provisions enacted in the 1985 Food Security Act and would put in place several other

provisions that were rejected by this Subcommittee during its consideration of the Food Security Act enacted last December. USDA estimates that if enacted, its proposals would reduce Food Stamp Program expenditures by \$313 million in fiscal year 1987. The bulk of these savings would be achieved by (1) increasing the eligibility and benefit level criteria to reduce participation and the benefit amounts being provided to remaining participants and (2) decreasing the funds the federal government provides states to administer the Food Stamp Program. Most of these changes involve policy decisions that can be made only by the Congress. We have not done any work that would define the impact these changes would have on the program or its participants and so we do not have any comments on the specific policy-related proposals.

However, we have issued several reports that relate to one of the administration's budget proposals on the quality control and error rate sanction systems. We also recently issued a report that describes how the federal government can save program funds by improving the recovery of overissued food stamp benefits. My statement today will summarize the issues discussed in those reports.

QUALITY CONTROL AND ERROR RATE SANCTION SYSTEMS

The first issue I will discuss involves the quality control and error rate sanction systems. As you know, the quality control system measures the types and extent of errors states

make when determining Food Stamp Program eligibility and benefit amounts. USDA has proposed that states with food stamp error rates exceeding a 5-percent target be sanctioned, or financially penalized, an amount equal to their excessive overissuances. The current sanction system has a 5-percent error rate target for fiscal year 1987 and beyond, but the amount of a state's sanction is based on a percentage of the federal reimbursement that states receive to administer the Food Stamp Program. USDA estimates that basing sanctions on the amount of excessive overissuances--instead of state administrative costs--would result in an additional \$11 million in savings to the federal government in fiscal year 1987.

As I am sure you will recall, the original sanction system established by the 1980 Food Stamp Act Amendments called for a dollar-for-dollar relationship between overissuances exceeding the national average and sanction amounts. However, when the Congress passed the 1982 Food Stamp Act Amendments, it phased in a 5-percent error rate target. It also changed the basis for the sanction amount to a percentage of the state's administrative expenditures and excluded underpayments from the target error rate.

Since 1982, in testimony before this Subcommittee and the Senate Committee on Agriculture, Nutrition, and Forestry, we have supported the concept of error rate sanctions because they give states a financial incentive to reduce program errors.

However, reducing program errors sometimes requires states to increase the amount they spend to administer the Food Stamp Program. In our April 1985 food stamp overview and perspectives report,¹ we pointed out that under the current sanction system a state that spends more to operate the program would be sanctioned more than another state that has the same error rate but spends less to administer the program. Therefore, to some extent, the current sanction system may give states a disincentive to spend the administrative funds needed to reduce program errors.

In an April 1984 report,² we noted that for the Aid to Families With Dependent Children (AFDC) Program, states are liable for the full cost of overissuances exceeding a specified target error rate. In that same year the Subcommittee approved H.R. 5151, which contained a provision that would have calculated food stamp sanction liabilities on a similar basis. In 1985 testimony before the Subcommittee, we supported legislative tightening of the food stamp sanction system similar to the H.R. 5151 provision and USDA's current proposal. As you will recall, H.R. 5151 was not enacted.

¹Overview and Perspectives on the Food Stamp Program
(GAO/RCED-85-109, Apr. 17, 1985).

²Federal and State Liability for Inaccurate Payments of Food Stamp, AFDC, and SSI Program Benefits (GAO/RCED-84-155, Apr. 25, 1984).

We believe that sanction amounts should be tied directly to excessive overissuances rather than based on administrative costs. Whether there is a direct dollar-for-dollar offset or whether the error rate targets should be changed are matters for the Congress to decide. The important point is that the financial incentive, at whatever level, be tied directly to the amount of overissuances.

Another issue related to the error rate sanctions, which is perhaps the most significant obstacle to enforcement of error rate targets, is the question of the accuracy of the quality control system and the reliability of the error rates it produces. Currently, Agriculture has sanctioned 26 states a total of \$56 million on the basis of their quality control error rates for fiscal years 1981-83. Only one state has paid a sanction--Connecticut for \$1 million. Some states have had their sanctions waived, and others are challenging the accuracy of the error rates to USDA's State Food Stamp Appeals Board or are preparing for a possible legal test of the quality control system in the federal courts.

Because of the states' concerns, the Congress placed a 6-month moratorium on sanctions, which is scheduled to expire on June 24, 1986, and called for USDA and the National Academy of Sciences to evaluate the operation of the quality control system. As of today, contracts for these evaluations have yet

to be finalized, and the results are not expected to be available until at least 1 year after the moratorium expires.

We have completed one review of the quality control system during the past year and currently have two more ongoing reviews that will provide valuable insights into this issue. In an April 1985 food stamp quality control report,³ issued to this Subcommittee, we analyzed the statistical precision of the fiscal year 1983 estimated quality control error rates that USDA officially released in the spring of 1985. We found that the precision of these error rate estimates varied significantly from state to state. For example, last spring Agriculture sanctioned Vermont \$705,000 because its fiscal year 1983 error rate of 16.2 percent exceeded the 9-percent target error rate for that year. We found that at a 95-percent level of confidence, Vermont's error rate could have been as high as 19.6 percent or as low as 12.8 percent. Using the end points of the range, Vermont's sanction could have been as high as \$1,030,000 or as low as \$271,000. On the other hand, we found that error rate estimates for some states were quite precise. For example, USDA estimated Maryland's fiscal year 1983 error rate to be 7.1 percent. We found that at a 95-percent confidence level, Maryland's error rate ranged only from 6.3 percent to 7.9 percent. For fiscal year 1983, Maryland would not have been

³Quality Control Error Rates for the Food Stamp Program,
(GAO/RCED-85-98, Apr. 12, 1985).

sanctioned--regardless of what point in that range was used.

Last spring Congressman Jeffords introduced, and this Subcommittee considered, H.R. 2621, a bill that would have changed the basis for assessing state sanctions from the statistical midpoint of the range of estimated error rates to the lower limit of each state's estimated range. Congressman Matsui introduced similar legislation regarding the AFDC Program. The Congress has not acted on either bill. Although there has been congressional interest shown in the precision of error rates, USDA does not routinely calculate statistical ranges for its error rate estimates--even though it would be relatively simple to do so.

For the past year we have been evaluating USDA's official fiscal year 1984 Food Stamp Program error rates at the request of the Chairman of the Senate Committee on Governmental Affairs. On the basis of these error rates, USDA recently sent letters to 36 states notifying them of \$81 million in sanctions for that year. USDA plans to collect these sanctions when the moratorium expires on June 24, 1986. Our report to the Chairman will evaluate (1) the soundness of the quality control systems in selected states, (2) the adequacy of USDA's oversight of state quality control efforts, and (3) the statistical accuracy of USDA's official Food Stamp Program error rate calculations. Our report should be issued by the time the sanction moratorium expires and should address many of the questions the Congress

expects USDA and the National Academy of Sciences to analyze in their planned studies.

Finally, I would like to mention that, at the request of this Subcommittee, we have recently begun a review to evaluate quality control error rates for the improper denial and termination of food stamp benefits. As you requested, our review, among other things, will look at the soundness of these error rates and examine trends in state denial and termination error rates since sanctions were initiated. Because our audit work began just last month, we do not have preliminary findings to report at this time.

RECOVERING FOOD STAMP OVERPAYMENTS

I would now like to discuss an area that is not directly related to any of USDA's budget proposals but that has the potential for saving the federal government tens of millions of dollars each year. Unlike USDA's proposals, these savings could be achieved without restricting program eligibility or decreasing federal funding for state administrative efforts. The area I am talking about relates to efforts on the part of states to recover overpayments of benefits in the Food Stamp Program.

Historically, states have had difficulty recovering benefit overissuances made to households participating in the Food Stamp Program. During fiscal years 1981-84, states collected about 3 cents of every dollar of food stamp overissuances. When

overpayments are discovered, claims are established against the participants to recover the overpaid benefit amount. During fiscal years 1981-84, states established claims for less than 10 percent of their overissuances and collected less than 25 percent of the established claims. The Agriculture Inspector General estimated that, as of January 1984, about \$263 million of claims remained uncollected. Recent USDA data indicate that states are making progress at collecting a greater percentage of food stamp claims. For example, states collected about one-third of the claims established in fiscal year 1985.

In a report issued last month,⁴ we offered a number of legislative and administrative actions that could be taken or considered to improve the recovery of food stamp overpayments and help reduce the backlog of unpaid claims. I will briefly discuss a few of these suggested actions.

Using recoupment to collect
agency-caused overpayments

Food stamp legislation currently requires states to recover all benefit overissuances. For participant-caused errors that are not voluntarily repaid, states are required to recover the overissuance by deducting an amount from the monthly benefits otherwise due the participant--a procedure called recoupment. In our recent report and in 1984 and 1985 testimony

⁴Benefit Overpayments: Recoveries Could Be Increased in the Food Stamp and AFDC Programs (GAO/RCED-86-17, Mar. 14, 1986).

before this Subcommittee and the Senate Committee on Agriculture, Nutrition, and Forestry, we recommended that the Congress amend the Food Stamp Act of 1977 to conform with AFDC legislation that provides for mandatory recoupment of all overissuances, regardless of whether they are agency-caused or participant-caused. We estimated that such a change would have increased collections by 7 percent in the 11 locations we reviewed and, according to national projections made by the Agriculture Inspector General, could save the federal government about \$17 million a year.

Making collection actions more
timely and efficient

Recoupment is an effective collection tool, but it requires taking collection action soon after the overpayment is identified. If not, the participant, in many cases, leaves the program and recoupment is not possible. Starting the collection process sooner, therefore, would increase the amount collected while the recipient is in the program.

We found that if priority were given to such claims, collections would increase significantly. Therefore we recommended that USDA require priority processing of claims involving current participants by establishing time-period criteria that would require prompt collection action on such claims. We estimated that this plus other changes designed to improve the timeliness of collection actions could have

increased collections an additional 7 percent in the locations we visited. According to national projections made by the Agriculture Inspector General, requiring states to give priority to processing such claims could save the federal government about another \$18 million a year.

Intercepting federal income tax refunds
to collect from former participants

States have always had difficulty collecting from former participants, and one possible way of improving collections on these claims is to offset federal income tax refunds to recover delinquent overpayments from former food stamp participants. Recent experience with using this technique to collect delinquent child support payments indicates that the procedure may be cost-effective. While this experience provides some indication of the potential benefits of using federal tax intercepts, the cost-effectiveness of this technique, as well as its impact on former food stamp participants and the federal tax system, is largely unknown and should be more definitively determined.

The Internal Revenue Service is conducting a 2-year test of the feasibility of federal tax refund offsets. If the 2-year test proves that offsets are feasible, the Congress should consider authorizing the use of federal income tax refund offsets for the Food Stamp Program on a trial basis to improve recoveries from former participants.

SUMMARY

In summary, the Congress has been very sensitive to the concerns of the states who must collect food stamp overpayments and the program participants who are subject to these collections. In 1981 the Congress responded to state officials' concerns about the absence of sufficient financial incentives and effective collection tools. The Congress strengthened collection techniques by authorizing the use of recoupment for participant-caused overissuances. To give states greater incentive to collect more overissued benefits, the Congress also allowed states to keep 25 percent of food stamp collections on claims caused by nonfraud participant errors. Indications are that collections have increased since the 1981 provisions were enacted. Our recommendations would add to the tools that the Congress gave the states 5 years ago to collect food stamp overissuances.

While the Congress has enacted provisions to strengthen state collection efforts, it also has sought to safeguard the well-being of needy households. To prevent undue hardship on participants, the Congress limited the amount of recoupment to 10 percent of a household's monthly benefit or \$10, whichever is greater. Also, collection action can be suspended if the state determines that such action would cause undue hardship to the participant. I would emphasize the need for the Congress to continue to balance the competing concerns of participants, the states, and the federal government as it explores ways to save federal dollars.

Mr. Chairman, that concludes my statement. We will be glad to respond to your questions.

The Tragedy of Hunger in a Land of Plenty

Working to Eliminate Hunger in California

TESTIMONY BEFORE

THE U.S. HOUSE OF REPRESENTATIVES

COMMITTEE ON AGRICULTURE

SUBCOMMITTEE ON

Domestic Marketing, Consumer Relations, and Nutrition

THE HONORABLE LEON PANETTA, CHAIR

APRIL, 1986



**Kevin M. Aslanian, Legislative Advocate
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April 27, 1986

Honorable Leon Panetta, Chairperson
U.S. House of Representatives
Committee on Agriculture
Subcommittee on Domestic Marketing, Consumer Relations and Nutrition
Room #1301, Longworth House Office Building
Washington, D.C. 20515

Dear Mr. Panetta::

We are in receipt of your letter dated 4/18/86, which arrived at our office on 4/25/86.

We are delighted to have this opportunity to convey the views of the consumers of the Food Stamp Program relative to the proposals submitted by the Reagan Administration.

We have carefully analyzed the proposals submitted by the Reagan Administration and would like to communicate our views on those proposals. We are relieved that, for the most part, our positions are similar to that of the National Governors Association, who also oppose the proposals of the Administration.

The President established a Task Force on Hunger to investigate hunger in America. They made several recommendations which were reflected in P.L. 99-198. The Administrations' proposals would repeal many of the actions taken by Congress in response to the President's Task Force on Hunger. It appears that, again, the right hand does not know what the left hand is doing.

We would like to direct the Committee's attention to two (2) causes of extreme hunger in America. These problems were not addressed in P.L. 99-198:

1. For all practical purposes "expedited service" of food stamps has been abolished in California. Under current law, the welfare department has 30 days to establish eligibility. A serious problem arises when a household applies for public assistance and food stamps. They are not eligible for "expedited service" because the food stamp office anticipates that within the next 30 days the household will receive their public assistance. Many households literally starve until the food stamp office gets around to issuing the food stamps. In many cases, food stamps are not issued within 30 days and yet there are no penalties against the state agencies for failure to comply with the law.

2. Under the retrospective budgeting process, income received in October is used to compute the grant for December. For example, a household of two applies for AFDC in August. They receive their AFDC benefits late in the month and the caretaker also receives a \$250 child support payment. In September she received her child support payment and \$474 (which is the maximum for a family of two in California) minus \$200

child support, which gives her an AFDC check of \$274.

The Food Stamp benefits for September are calculated based upon the \$274 AFDC grant plus the \$250 child support payment.

This situation continues until October when the child support division informs the recipient that she has to turn the \$250 child support money over to the welfare department, otherwise she would be deemed not to be cooperating with the county welfare department.

In November she turns the child support payment over to the county welfare department. For the month of November and December her Food Stamp benefits are based on the \$274 AFDC and \$250 child support payments received in September and October. This will give her \$58 worth of food stamps for November and \$58 for December, even though, for the most part, she has only \$274 spendable income during October and November.

She is entitled to keep the first \$50 of the child support payment, and it is used to compute the Food Stamp benefit level, but most states delay the \$50 disregard payment for months.

As you can see, this situation can lead to a miserable Christmas for such a family.

We would like to provide the Committee with a section-by-section analysis of the proposed changes before the committee submitted by the Administration for your consideration.

Sincerely,

KEVIN M. ASLANIAN
Legislative Advocate

Section 101 - Income Exclusion for Energy Assistance Payments OPPOSE**SUMMARY OF SECTION**

This section would require energy assistance payments paid by state and local governments to be counted as income, if such payments are limited to public assistance and general assistance recipients.

CURRENT PRACTICE

Under current law such payments are excluded.

CONSUMER IMPACT STATEMENT

Energy assistance payments made by state and local governments are a result of the ever increasing costs of energy. We are delighted that some state and local governments have recognized this increasing cost of energy and are taking steps to assist low-income households.

What the Administration is proposing to do is to take advantage of the compassion demonstrated by state and local governments in responding to the needs of low-income persons for energy and use it to take food away from those households. This proposal would put households in the dilemma of making a choice between heat and food.

Section 102 - Retention of 18 Percent Earned Income Deduction OPPOSE**SUMMARY OF THE SECTION**

This section would repeal the 20% earned income deduction for households who have earned income.

CURRENT PRACTICE

Under current law, households with earned income receive a 20% earned income deduction.

CONSUMER IMPACT STATEMENT

The Administrations' position is that "current data suggests that average expenses of food stamp households are about 15 percent of earned income." It is interesting to note the carefully chosen words, such as "suggests" and "about 15%". What does the data really show?

If we assume that the household earns minimum wages (\$3.35 an hour) then this would give the household an estimated gross income of \$600 a month. The deductions should add up to at least \$80. Transportation costs would be approximately \$50 a month. This cost is already 20% of their net income without counting many other work related expenses, such as; tools, lunches, clothing, etc. Consider also the fact that the \$80 mandatory deductions and \$50 transportation cost is an underestimated figure. It can be easily said that "current data suggests that average work expenses of food stamp households is **below** 20 percent of the earned income."

Section 103 - Retention of Combined Shelter Expense and Dependent

Section 103 - Retention of Combined Shelter Expense and Dependent Care Deduction at Present Level- OPPOSE

SUMMARY OF THE PROVISION

This provision would repeal the provision of P.L. 99-198 which would increase the shelter deduction from \$139 to \$147 and would prohibit allowing households to claim shelter deductions and dependent care deductions separately.

CURRENT PRACTICE

Under current law, at the end of 1986 the standard shelter deduction would increase from \$139 to \$147.

Under current practice households can claim shelter and dependent care deductions separately.

CONSUMER IMPACT STATEMENT

Under current law households are not able to claim the true shelter and dependent care deductions. Rather, the current law sets a standard deduction to make the program simple for the food stamp administrators at the expense of the households participating in the program.

P.L. 99-198 was an attempt to be more responsive to the needs of the households, which is the purpose of the food stamp program, rather than trying to please the food stamp administrators.

Moreover, with the recent surge of computerization of the food stamp determination and delivery system, the argument that this would make the program more complicated cannot be supported.

Section 104 - Deduction of Shelter Expenses and Energy Assistance Payments-OPPOSE

SUMMARY OF THE PROVISION

This provision would repeal the current law which excludes Low Income Energy Assistance Payments (LIEAA) from being considered in determination of eligibility and benefit levels for food stamp benefits.

It would also allow states to establish different standard utility allowances for those households who receive LIEAA benefits.

CURRENT PRACTICE

Under current practice all energy assistance payments are not counted as income for the purposes of determining eligibility or benefit levels.

CONSUMER IMPACT STATEMENT

It is interesting to note that the administration was forwarding the argument of "simplifying administration of the program" in support of Section 103. Under this proposal there will be two different standard utility allowances, which would complicate the program. So much for program simplification.

Moreover, energy assistance payments are a result of increased energy costs and it should not be used to reduce food benefits to needy households, because the energy assistance payments cannot be used to buy food.

Section 105 - Repeal of Increases in Resource Limits OPPOSE**SUMMARY OF THE PROVISION**

This section would reduce the resource limits from \$2,000 to \$1,500 per household.

CURRENT PRACTICE

Effective May 1, 1986 the resource limit for a household will be \$2,000.

CONSUMER IMPACT STATEMENT

This is one of the many proposals suggested by the Presidents' Task Force on Hunger. Most households participate in the Food Stamp Program for a very limited time. In many cases these resources are in the form of life insurance, bonds or stocks which have a sentimental value.

Moverover, on one hand the Administration urges the public to save, on the other hand they force food stamp recipients to dispose of all of their savings before they can be eligible for aid.

We agree with the administration that there are not a huge number of households who will benefit from this provision, but those who will be affected by this provision are those who have paid more taxes than the people in the White House today and many of our big corporations. The Food Stamp Program is basically an "insurance policy against hunger" and the beneficiaries of this provision would most likely be those who rarely utilize this insurance program.

Section 106 - Inclusion of Amounts Received of JTPA OPPOSE**SUMMARY OF THE PROVISION**

This provision would require that all Job Training Partnership Act of 1982 (JTPA) payments for child care, transportation, lunches and other items, and earnings be considered income for the purposes of determining eligibility and benefit levels for Food Stamp benefits.

CURRENT PRACTICE

Under current practice only the JTPA earned income is considered income for determining eligibility and benefit levels for Food Stamp benefits.

CONSUMER IMPACT STATEMENT

The Administration has been promoting training and employment in all public assistance programs. JTPA is one of the employment and training programs. Many food stamp recipients participate in the JTPA program to become self-sufficient consistent with the goals of the Administration.

While participating in the training program food stamp recipients incur costs that they would not otherwise have incurred had they not been trying to become self-sufficient. Under current practice when JTPA pays the food stamp recipient for those extra costs, it is not used to reduce his or her food stamps. This proposal would punish food stamp recipients by reducing his or her food stamp benefits because he or she received money to cover training related expenses. This is ridiculous proposal should be rejected. It punishes food stamp recipients for trying to become self-sufficient.

Section 107 - Mandating Food Stamp applicants to do job search; mandating gradual recipient participation in the Employment and Training Program; and limiting federal funding for the program.

SUMMARY OF THE PROPOSED PROVISION

This section would mandate the state agency to require all applicants to do job search as a condition of eligibility for food stamp benefits. It would also require that by 1987 all states would have 50% of the caseload participating in the program; and 75% monthly beginning October 1, 1988. Finally, notwithstanding this mandatory participation rate, only 30 million a year will be provided by the federal government.

CURRENT PRACTICE

Under current law state agencies have the option of requiring food stamp applicants to do job search as a condition of eligibility.

CONSUMER IMPACT STATEMENT

We are opposed to mandating jobs search for all applicants. Moreover, most food stamp recipients do their own job search without "big brother government" interfering in their lives.

We also oppose the mandatory participation rates that the federal government would impose upon states. This time we will stand on the side of those advocating **less government, states rights**, and all those other things that Ronald Reagan does in his "routines" around America.

It appears that the drafters of this proposal have not been watching much TV, otherwise they would know that this type of proposal is anti-Reagan.

WE SUPPORT limiting funding for this program and **OPPOSE** setting limits upon the states for participation. This is a program which states want very badly. If they want the kind of programs which forces "big brother government" into the lives of food stamp recipients, then the states should be willing to pay for interfering with people's lives.

Section 110 - Fraud Claim Repayment OPPOSE**SUMMARY OF THE PROVISION**

This section would require food stamp recipients who have been accused of Food Stamp fraud to choose a repayment method within 10 days from the date that the state agency requests repayment of food stamps.

CURRENT PRACTICE

Currently, household members, who have been disqualified for for fraud or intentional misrepresentation, have 30 days after the state agency requests them to choose a repayment method.

CONSUMER IMPACT STATEMENT

For one to decide how to pay back their food stamp benefits once they have been found to have committed fraud or having made intentional misrepresentation is not an easy task. Most citizens would want to consult with an attorney if they have one, or try to retain one. For this they need time. 30 days is the standard time that most people in our society are given to make these kinds of decisions. For example, when a complaint is filed against a person, he or she has 30 days to respond.

We do recognize that welfare recipients and food stamp recipients have become "second class" citizens of this society, thus they only receive 10 day notice of actions and they get 10 days to get their verification to the welfare agency, but on the other hand, we should not forget that state agencies have 30 days to process a food stamp application, no state agency has even been told by the federal government that they have 10 days to get in a certain documents, or to appeal a certain federal decision. Of course it should be noted that state agencies have lawyers, accountants and other highly paid personnel who can make fast decisions.

**Section 113 - Elimination of Enhanced Funding for Fraud and Prosecutions
and Automated Data Processing Costs SUPPORT**

SUMMARY OF THE PROVISION

This section would gradually eliminate the enhanced funding by the federal government for food stamp fraud and data processing costs.

CURRENT PRACTICE

Under current practice most administrative costs for the food stamp program costs are matched 50% by the federal government. Food stamp fraud and data processing costs are matched at 75% in order to give the states an incentive to increase their food stamp fraud activities and data processing activities.

CONSUMER IMPACT STATEMENT

The current practice encourages states to transfer some regular eligibility responsibilities to the food stamp fraud section of the food stamp agency. This has opened the door for the states to manipulate the matching process to enhance federal funding for the state food stamp administration.

Having the same matching rate would simplify the matching process and would deter the states from manipulating the system to enhance federal funds for the states.

Section 114 - State Agency Liability-NEUTRAL

States have been using the error rates to justify enhance matching for fraud personnel, data processing and other administrative simplification proposals which hurt the recipients and make the program easier to administer. Now that the states have been able to get all they want by hurting the recipients, Congress wants the state agencies to keep their promises and bring down the error rates. The state cries wolf. They are furious that they are going to be punished for not doing what the federal government wants them to do, after they have received all this money and all these changes in the program.

What happens if a food stamp recipient fails to do what the state agency tells them to do? They are terminated from food stamps—**period.**

IS THIS EQUITABLE? We say no.

What happens when the state agency does not process a food stamp application within 30 days? N o t h i n g. .

RECOMMENDATION: The statute should be amended to include underissuance of food stamps and state agency failure to carry out the provisions of the regulations which benefit recipients as a reason for imposing liability on states. This may make give the states an incentive to adhere to regulations that benefit recipients.

Section 116 - Optional Nutrition Assistance Grant Program OPPOSE**SUMMARY OF THE PROVISION**

This section would allow states to operate a food stamp program without being subject to the federal food stamp regulations. This is a proposal that has been advocated by conservatives for years and has always been rejected by Congress.

CURRENT PRACTICE

Under current practice states cannot ignore federal food stamp regulations.

CONSUMER IMPACT STATEMENT

There has been a lot of testimony over the years in opposition to this proposal. We hereby support all such testimony and continue to oppose this "block grant" concept for food stamps.

Statement by David Axelrod, M.D.
Commissioner of Health
State of New York

Testimony Presented to the
Committee on Agriculture
Subcommittee on Domestic Marketing,
Consumer Relations and Nutrition
United States House of Representatives

On the review of the
President's FY1987 Budget
Proposals for the Food Stamp
Program, the Commodity
Supplemental Food Program
and Related Nutrition Programs

April 16, 1986

The New York State Department of Health urges the Congress and the USDA to expand the Commodity Supplemental Food Program (CSFP) to states that do not receive CSFP funds. We are submitting this testimony in response to an invitation from this Subcommittee to comment on the CSFP and in reaction to a recent communication from USDA informing us funding would not be available this year to support our earlier request for CSFP funding.

We believe that both the need for the CSFP in New York State and our capacity to operate such a program successfully are typical of the situation in other states that are also without CSFP funding. We hope that the Congress and USDA will view this statement not only as a testimony to the need for expanded nutritional assistance programs in our State, but also as an illustration of both a problem and an opportunity that is present nationwide.

Unmet Need

The Department of Health's principal reason for seeking CSFP funding is the demonstrated magnitude of critical nutritional need within our State. In submitting our State Plan of Program Operations and Administration for the CSFP for Fiscal Year 1986, we identified the population in need of CSFP from among women, infants and children eligible for the WIC program but not receiving its services. The total WIC eligible population in New York State at that time was estimated to be 608,979 persons. The estimate of the total population eligible for CSFP was considered to be slightly higher since it would include postpartum women through 12 months after delivery and children up to the age of six years.

New York State's WIC caseload on September 30, 1983 was identified by USDA to be 257,322 persons. Our most recent calculations show that our WIC eligible population has increased to 642,973 individuals. Hence, USDA's official "stability" caseload for our State represents only 40.0 percent of WIC eligibles. In addition, because subsequent funding of the WIC program has not kept pace with inflation, the number of persons actually assisted by WIC has declined. We estimate that through 1985, the application of a nationally calculated inflation rate which did not reflect higher costs in the New York/New Jersey metropolitan area resulted in the loss of 9,537 individuals from our WIC caseload. Other factors, such as our efforts to serve WIC eligible women early in their pregnancies and to provide WIC services to those women and children at highest nutritional risk, have also made the imposition of a stability caseload more burdensome. The number of persons supported by WIC now has declined to approximately 235,000, or 36.5% of eligible individuals. Although special State funding efforts have enabled us to serve an additional 45,000 WIC-qualified individuals, we remain able to cover only 43.5% of the eligible population through combined Federal and State funding. Our unmet need is 56.5% or nearly 363,000 individuals. Our initial CSFP Plan proposed to serve 32,500 of these persons, or a modest nine percent of the total. In view of the large residual number of people who are unserved by supplementary nutrition programs, the need for CSFP funding in New York State is obvious.

We would like to emphasize that there are among our 363,000 unserved WIC-eligibles at least 3,000 families, made up of some 11,000 individuals, mostly women and children, who are homeless. These people are housed in

shelters across the State, the majority of which are located in New York City.

In New York City's shelters, only 30 percent of children eligible for WIC are actually enrolled. Moreover, City officials report that the mothers of these children in many instances suffer the ill effects of having subordinated their nutritional needs to those of their children. While a CSFP program obviously could not improve the nutritional status of all such homeless persons, it would assist the State in addressing a portion of this urgent and troubling public health need.

Although our data on WIC-eligible persons throughout New York State provide a clear indicator of nutritional need, we are constantly attempting to define the nature and scope of our nutrition problems with more precision. In 1984, we established a Nutrition Surveillance Program to assess and monitor the nutritional needs of three groups at high risk for nutrition-related health problems: the frail elderly, the homeless and destitute, and low income women, infants and children. When fully implemented, this program will gather data throughout the State, enabling us to describe the nutritional status and need for nutrition services among local populations in specific geographic areas. This surveillance system will increase our capacity to direct WIC, CSFP and State funds to persons and areas in greatest need of nutrition assistance services.

New York State's Capacity to Operate a CSFP Program

Our general approach to operating a CSFP program would be to build upon existing mechanisms and structures which have proven efficient and effective in storing and distributing food and in bringing nutrition services to low income people.

First, food ordering and delivery to warehouse sites would be handled by the New York State Office of General Services (OGS), an agency analogous to the United States General Services Administration. The warehouses at which CSFP foods would be stored are certified public warehouses under contract with OGS and currently store USDA products for USDA. The Department of Health would take full advantage of OGS's contract facilities and experience with USDA storage regulations in implementing a CSFP program.

Second, the Department of Health would make further use of existing resources by actually distributing food and administering the CSFP through well-established nongovernmental agencies. In our CSFP plan submitted to USDA, we proposed designating Catholic Charities to serve as the "umbrella" agency for administering the CSFP in New York State. In our opinion, Catholic Charities' integrity of purpose, credibility and acceptance in local communities, and proven experience in administering health, nutrition and social services programs make it an organization well-suited to overseeing the implementation of the CSFP. Just as important, work with this organization is in keeping with our effort to forge a partnership between the State and the private voluntary sector for health and human services programs.

Catholic Charities', as umbrella agency for CSFP, would be responsible for establishing caseload figures, food distribution schedules, audit and program review standards and other details of project implementation with local agencies. Catholic Charities would in turn be subject to State fiscal and program management standards as set forth by the Department of Health and the Office of the State Comptroller.

In the five boroughs of New York City, where 60 percent of CSFP eligibles reside, Catholic Charities would administer the CSFP through nine community health centers and hospitals with experience in successfully serving lower income people and with strong ties to the local community. With one exception, all of these agencies currently operate WIC programs. Catholic Charities would work with similar health-oriented and community-based WIC agencies to serve CSFP-eligible persons in the Niagara region in Western New York and in the mid-Hudson Valley. Expansion to other areas would be contemplated in succeeding years of the program.

A third asset which the Department of Health would take full advantage of in implementing the CSFP would be our well-established mechanisms for participant certification and caseload management. Our standard WIC certification form would be modified for CSFP by the simple addition of a box indicating that the participant was a CSFP participant rather than a WIC participant. CSFP participants would be entered into the Statewide WIC computerized Management Information System and monitored for continuing eligibility and possible dual participation.

Once caseloads were assigned to local agencies, participation would be monitored monthly by the Department of Health, through the submission of a report called the (NUT/WIC-2). Any significant deviation from assigned CSFP caseload would be followed up by the regional WIC Health Program Administrator assigned to the program. A priority waiting list for CSFP eligibles would also be developed by adding such persons to WIC waiting lists and designating them as potential CSFP participants.

That, briefly, is how the New York State Department of Health would operate a CSFP program. However, our concern for broader use of commodity foods to help meet urgent public health nutrition needs extends beyond New York to all parts of the country. The restriction of CSFP funding to current recipient states fails to recognize the extent of hunger and nutrition problems in the United States today.

We do not look to the CSFP to solve all our food and nutrition problems; nor do we wish to assign to USDA or the Subcommittee on Domestic Marketing, Consumer Relations, and Nutrition the responsibility for problems which have multiple social and economic causes. The Commodity Supplemental Food Program is, after all, just that--a supplemental one. Nevertheless, the CSFP presents an opportunity to make existing federal, State and local food and nutrition programs more effective. Indeed, it is because of the presence of such programs as WIC and New York State's own Supplemental Nutrition Assistance Program that a relatively small increase in funding to support CSFP services in currently unserved states would have a significant impact on our country's hunger and nutrition problems. We strongly urge the Congress to support such expanded funding for the Commodity Supplemental Food Program.

GAO

United States General Accounting Office

Report to the Congress

March 1986

BENEFIT OVERPAYMENTS

**Recoveries Could Be
Increased in the Food
Stamp and AFDC
Programs**



GAO/RCED-86-17

GAO

United States
General Accounting Office
Washington, D.C. 20548

Resources, Community, and
Economic Development Division

B-205033

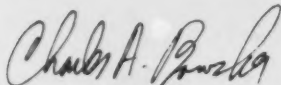
March 14, 1986

To the President of the Senate and the
Speaker of the House of Representatives

This report discusses the states' efforts to recover overpayments of benefits in the Food Stamp and Aid to Families with Dependent Children Programs. Overpayments in the two programs total about \$1.4 billion a year.

We are recommending several legislative changes and administrative actions to help increase overpayment recoveries. We believe that our recommended changes are consistent with the intent of both the Congress and the administration to emphasize program integrity and aggressive and effective program management at the federal and state levels.

We are sending copies of this report to the appropriate House and Senate committees; interested members of Congress; the Secretaries of Agriculture and Health and Human Services; the Director, Office of Management and Budget; and other interested parties.



Charles A. Bowsher
Comptroller General
of the United States

Executive Summary

An estimated \$940 million was overpaid to participants in the Food Stamp Program and about \$500 million to participants in the Aid to Families with Dependent Children (AFDC) Program in fiscal year 1983—the most recent period for which data were available. Historically, states have had difficulty recovering food stamp overpayments—only 2 percent of fiscal year 1983 overpayments were recovered. Data were not available to measure the extent of recoveries in the AFDC Program.

To help increase recoveries in these programs, the Omnibus Budget Reconciliation Act of 1981 required states to recover all AFDC overpayments and participant-caused food stamp overpayments through recoupment—that is, retaining a portion of benefits otherwise due overpaid participants. GAO made this review to examine how state and local collection offices were using collection methods such as recoupment to recover overpayment claims and to identify specific actions that would increase claims collections. (See p. 10.)

Background

In fiscal year 1984, the federal government spent about \$19 billion to help the needy through the Department of Agriculture's Food Stamp Program and the Department of Health and Human Services' AFDC Program. These programs are operated by the states which provide food coupons and cash, respectively, to participants. Overpayments occur when participants provide incorrect information or when program agencies make errors.

In January 1985, Agriculture's Office of Inspector General issued a report which provided a status of food stamp collection activities in 23 states and made nationwide estimates on the amount of claims established and collections made through January 1984.

The procedures used to collect food stamp claims generally are more restrictive on when states can use recoupment than those used for AFDC claims. For example, before initiating collection action, state agencies under both programs are required to send participants letters notifying them of the overpayments. Current food stamp participants are given the option of repaying the claim in either a lump sum, through monthly installments, or through recoupment and are given up to 30 days to respond. If a food stamp participant does not select an option or agrees to repay the claim but subsequently defaults, states must use recoupment if the claim resulted from participant error. If the claim was caused by an agency error, however, the state cannot use recoupment without the food stamp participant's consent. In the AFDC Program,

Executive Summary

states must use recoupment for both participant- and agency-caused errors and give participants as little as 10 days to respond to the debt notification letter before collection begins.

Results in Brief

Recoupment has proven to be an effective tool for collecting overpayment recoveries from current food stamp and AFDC participants, but additional collections are possible. Some improvements can be achieved administratively; others require legislative action. Specific actions include:

- Expanding states' authority to use recoupment on claims caused by agency error from current food stamp recipients.
- Implementing procedures to expedite recoupment action, thereby contributing to faster and more efficient collections.
- Testing the use of additional techniques to collect overpayments from former participants.

Principal Findings

Expanding Use of Recoupment

Recoupment is an effective collection technique, but it cannot be used in the Food Stamp Program to collect overpayments caused by agency error. According to GAO's sample results in 11 state and local offices, an estimated 34 percent of claims against current participants in these offices were caused by agency error. Participants were not making any repayments on 31 percent of these claims. GAO estimates that if recoupment had been used to collect such claims established during the first 6 months of fiscal year 1984, recoveries could have increased by an average of 7 percent in these 11 offices. The Inspector General's January 1985 report, which included nationwide projections, estimated that recoupment could increase collections on such claims by \$1.4 million each month. (See pp. 20 to 24.)

Collecting More Timely and Efficiently

To maximize collections, actions need to be taken soon after the overpayment is identified because recipients, in many cases, leave the program before the claims are fully paid and do not repay after leaving the program. Starting the collection process sooner, therefore, would increase the amount collected while the recipient is in the program. While debt notification letters should allow participants a fair period

Executive Summary

time to respond, the 30-day period which food stamp participants are given is unnecessarily lengthy and delays the start of collections. GAO found that using a 10-day period—as is allowed in the AFDC Program—for food stamp claims in the 11 offices it visited could have increased collections an estimated 8 percent in the first 6 months of fiscal year 1984.

Other changes which could increase collections include giving priority to processing current participants' claims and improving systems used to identify former participants who reenter the programs with outstanding claims. GAO estimates that these types of actions could have increased collections an additional 7 percent in the 11 offices reviewed. (See pp. 30 to 39.)

Collecting From Former Participants

States have difficulty collecting from former participants. For example, the Inspector General estimated that as of January 1984, claims against households no longer participating in the Food Stamp Program totaled \$135 million, and payments were not being made on \$85 million of these claims. One possible way of improving collections on these claims is to offset federal income tax refunds to recover delinquent overpayments from former AFDC and food stamp participants. Recent experience with using this collection technique by the Office of Child Support Enforcement indicates that the procedure may be cost-effective. For example, during the first 9 months of 1984, the Internal Revenue Service offset \$205 million against delinquent child support payments for 912,045 cases at a cost to the Service of about \$1 million. While this provides some indication of the potential of using federal tax intercepts, the cost-effectiveness of this technique, as well as the financial impact on former food stamp and AFDC participants, is largely unknown and should be more definitively determined. The Internal Revenue Service is conducting a 2-year test of the feasibility of federal tax refund offsets. (See pp. 48 to 56.)

Recommendations

To improve recovery of food stamp overpayments, the Congress should authorize states to use recoupment for food stamp overpayments caused by agency error and allow states to use a 10-day notification for food stamp claims. Other GAO recommendations to the Congress and the Secretaries of the Departments of Agriculture and Health and Human Services are aimed at improving the timeliness and effectiveness of states' recoveries. (See pp. 27, 28, and 43.)

Executive Summary

**Matter for
Congressional
Consideration**

If the 2-year test proves that offsets are feasible, the Congress should consider authorizing the use of federal income tax refund offsets for both the Food Stamp and AFDC Programs on a trial basis to improve recoveries from former participants. (See p. 57.)

**Agencies' And States'
Comments**

The Departments of Agriculture and Health and Human Services generally concurred in, or agreed with the intent of, GAO's recommendations. In addition, the five states that sent GAO written comments generally agreed with the report's findings and recommendations. (See apps. III-V.)

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Abbreviations

AFDC	Aid to Families with Dependent Children
CED	Community and Economic Development Division (GAO)
FNS	Food and Nutrition Service
GAO	General Accounting Office
HHS	Department of Health and Human Services
HRD	Human Resources Division (GAO)
IRS	Internal Revenue Service
OFA	Office of Family Assistance
OIG	Office of Inspector General
RCED	Resources, Community, and Economic Development Division (GAO)
USDA	U.S. Department of Agriculture

Introduction

The states are responsible for recovering benefit overpayments made to households participating in the Food Stamp and Aid to Families with Dependent Children (AFDC) Programs but historically have had difficulty doing so. In fiscal years 1980 through 1983, states collected less than 2 cents for every dollar of food stamp overpayments—which were estimated to be \$940 million in fiscal year 1983. When overpayments are discovered, claims are established against the participants to recover the overpaid benefit amount. For fiscal years 1980 through 1983, claims established for overpayments by the states ranged from about 6 to 11 percent of the estimated amounts overpaid, and collections represented from 17 to 19 percent of the established claims. Since 1983, progress has been made at giving higher priority to food stamp overpayment claims. For example, for fiscal year 1984, the Department of Agriculture (USDA) established \$109 million dollars in claims and collected \$33 million. USDA estimates that fiscal year 1985 collections may amount to \$43 million. However, as the fiscal year 1984 statistics indicate, 70 percent of the overpayment claims have still not been recovered.

USDA's Office of Inspector General (OIG) estimated that as of January 1984, unpaid food stamp claims amounted to about \$263 million. Although the AFDC Program experienced about \$500 million of overpayments to participants in fiscal year 1983, program officials said that they do not have the data needed to measure the extent of collection difficulties in that program. To increase collections, the Omnibus Budget Reconciliation Act of 1981 required states to recover all AFDC overpayments and participant-caused food stamp overpayments, by deducting an amount from the monthly benefits otherwise due the participants involved—a collection method called "recoupment." The act limited recoupment amounts to levels that would avoid imposing undue hardship on participants. The act required the Department of Health and Human Services (HHS) to implement this procedure by October 1981 and provided for it to be implemented through the regulatory process in the Food Stamp Program which USDA did in April 1983.

We made this review to examine how local collection offices were using recoupment and other collection methods and to identify specific changes to AFDC and Food Stamp Program laws and regulations that would help improve recoveries of overpayments.

Food Stamp and AFDC Program Administration

The Food Stamp and AFDC Programs, administered at the federal level by USDA's Food and Nutrition Service (FNS) and HHS' Office of Family Assistance (OFA), respectively, provide food and income assistance to the needy. The Food Stamp Program provides food coupons to eligible, low-income households to help them buy food and meet their nutritional needs. The AFDC Program provides cash assistance to eligible, low-income families with dependent children under age 19. Although the federal government is responsible for overall management of the two programs, states have wide latitude in program organization and operation. Generally, the same state agency operates both programs either directly or by delegating operation to local governments, usually counties.

The federal government finances all Food Stamp Program benefits and about half the costs of AFDC benefits. The federal government also pays part (usually 50 percent) of the states' administrative costs of both programs. In fiscal year 1984, federal program outlays were \$11.3 billion for the Food Stamp Program and \$7.5 billion for the AFDC Program. Participation was about 21 million and 10 million persons, respectively.

Federal legislation requires that eligibility criteria for the Food Stamp Program be uniform nationwide but allows the criteria for the AFDC Program to vary among the states. Both programs take into account household income and size, as well as liquid assets, in determining eligibility and benefit levels. Significant overpayments occur in both programs when ineligible persons are provided benefits and when eligible persons are provided more than they are entitled to. In this report, we will refer to both kinds of errors as overpayments.

Overpayments result primarily when

- a participating household intentionally (fraudulently) or unintentionally provides incorrect information or does not provide required information on which eligibility and benefit determinations are based (participant-caused errors) or
- the state or local administering agency miscalculates eligibility or benefits or does not correctly act on recipient-reported information (agency-caused errors).

Although states are required to establish claims for all overpayments they identify, they only identify a small portion of the overpayments that are estimated to occur. Overpayments estimates are based on statistical projections of erroneous payments found during the quality control

review process. Specific overpayment cases, on the other hand, are identified as a by-product of such routine program procedures as quality control reviews, periodic recertification, and wage matches.

Prior GAO Reports on Food Stamp and AFDC Overpayments

In the past, we have reported on problems with the overpayment collection processes in both the Food Stamp and AFDC Programs. In a 1977 report¹ on the prevention, identification, and collection of overpayments in the Food Stamp Program, we said that the federal government was losing over half a billion dollars annually because of overissued food stamp benefits, and we recommended a number of corrective actions. In a 1978 report² to the Secretary of Health, Education, and Welfare (now HHS), we noted similar losses in the AFDC Program but reported that the extent of overpayment recoveries could not be evaluated because the states were not required to maintain statistical data on collections. In 1980, we reported³ that HHS needed to improve its quality control system to identify the causes of errors in the AFDC Program in order to reduce erroneous benefit payments at the outset. In 1982, we reported⁴ that inadequate verification requirements and practices contributed to overpayments in needs-based programs, such as the AFDC and Food Stamp Programs, and recommended various actions to improve verification processes.

Finally, in a 1983 report,⁵ we pointed out that in fiscal years 1980 and 1981, the states had identified overpayments and established claims for only about 6 percent of the projected \$2 billion in food stamp benefits overissued during that period. We said that states had collected about \$20 million, or 1 percent, of the \$2 billion in estimated overissuances. The AFDC Program has lower overpayment rates than the Food Stamp Program; however, data on collections were not available to show the AFDC Program's success in establishing claims and recovering overpayments.

¹The Food Stamp Program—Overissued Benefits Not Recovered and Fraud Not Punished (CED-77-112, July 18, 1977).

²Letter report to the Secretary of Health, Education, and Welfare (HRD-78-117, May 25, 1978).

³Better Management Information Can Be Obtained From the Quality Control System Used in the Aid to Families with Dependent Children Program (HRD-80-80, July 18, 1980).

⁴Legislative and Administrative Changes to Improve Verification of Welfare Recipients' Income and Assets Could Save Hundreds of Millions (HRD-82-9, Jan. 14, 1982).

⁵Need for Greater Efforts to Recover Cost of Food Stamps Obtained Through Errors or Fraud (RCED-83-40, Feb. 4, 1983).

**Collection Provisions of
Omnibus Act**

Recovering food stamp and AFDC benefit overpayments made to current and former program participants has always been difficult. Prior to the 1981 Omnibus Act, the laws and regulations governing overpayment claims collection in the AFDC Program permitted states to use whatever collection methods, including recoupment, that were allowed under their respective state laws. For the Food Stamp Program, however, recoupment was not authorized, and states primarily used demand letters specifying the amount overpaid and requesting repayment.

The 1981 Omnibus Act requires recoupment to be used for all claims against current participants in the AFDC Program but only for claims resulting from current participant-caused errors in the Food Stamp Program. Although recoupment amounts are limited in both programs to prevent undue hardship on participants, the limits differ in each program. Food stamp benefits can be reduced by 10 percent of a household's monthly benefit or \$10, whichever is greater, while AFDC benefits can be reduced by no more than 10 percent of the benefit amount calculated by excluding all other family income. OFA regulations required all states to begin using recoupment in the AFDC Program by October 1981. In February 1983, FNS published final regulations which required recoupment be used in the Food Stamp Program for participant-caused overpayments starting in April 1983 and allowed recoupment to be used to recover agency-caused overpayments if participants consented.

The 1981 Omnibus Act permits states to use various methods to collect overpayment claims against former AFDC participants, as long as the methods are permissible under the respective state laws. States were provided the same authority for food stamp collections through 1982 amendments to the Food Stamp Act. Such collection methods include using private collection agencies, obtaining judgments in small claims court, and offsetting state tax refunds.

**Objectives, Scope, and
Methodology**

Our overall objectives were to examine the states' use of recoupment and other collection methods in recovering overpayments and to determine whether additional changes to AFDC and Food Stamp Program laws and regulations would help to increase overpayment recoveries.

To achieve these objectives, we used a case study approach in 11 states to obtain an understanding of factors that could enhance or hinder efficient processing of recoupment claims and to develop detailed data on claims collection activities. The states were selected from those that had been using the new food stamp collection procedures long enough to

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enable a study of 6 months of recoupment actions. Given the discretion accorded states in organizing and operating the Food Stamp and AFDC Programs, the 11 states were selected to represent (1) centralized (state) and decentralized (county or district) collection operations, (2) automated and manual collection records, and (3) different geographic areas of the nation. Table 1.1 shows the states that were selected.

Table 1.1: AFDC and Food Stamp
Offices Reviewed by GAO

State	State or local collection unit	Automated or manual records
Alabama	county	manual
Arkansas	state	automated
Indiana	county	manual
Kentucky	county	manual
Nevada	district	automated
New Jersey	county	manual
North Carolina	county	manual
Ohio	county ^a	manual
Oklahoma	state	automated
Oregon	state	automated
Texas	state ^b	automated

^aWe visited two Ohio offices during the initial phase of our review. Since both Ohio offices operated under the same state procedures, we combined the data obtained from those offices for purposes of this report.

^bCollection operations are carried out in part by the state and in part by the local offices throughout the state.

When collections were conducted at the local government level, we reviewed collections operations at offices that were among the largest in their respective states. The local collection offices reviewed were Jefferson County (Birmingham), Alabama; Marion County (Indianapolis), Indiana; Jefferson County (Louisville), Kentucky; Las Vegas district, Nevada; Camden County (Camden), New Jersey; Mecklenburg County (Charlotte), North Carolina; and Lucas County (Toledo) and Montgomery County (Dayton), Ohio. The states, counties, and district selected for review do not provide a statistically representative sample of all jurisdictions that administer the AFDC and Food Stamp Programs. However, in fiscal year 1984, these states administered 17 percent of AFDC benefits and 29 percent of food stamp benefits, and the regulations we examined at these state offices are applicable nationwide.

In pursuing our review objectives through case studies, we assessed the operating policies, procedures, and practices followed in implementing

recoupment and taking other collection actions; reviewed the management controls established to assure timely and effective action in initiating recoupment; compared collection methods in the AFDC Program with those in the Food Stamp Program; and determined what methods were being used to collect claims against households no longer receiving benefits. We also reviewed the claims collection provisions in federal regulations and in state and local operating procedures; examined the legislative intent of laws governing the food stamp and AFDC collection provisions; and interviewed federal, state, and local program officials.

The core of our review at the 11 offices we visited was the examination of a total of 1,186 claims—582 recoupment claims (275 food stamp and 307 AFDC), and 604 claims not subject to recoupment (303 food stamp and 301 AFDC). The results of our examination of these claims are representative of the 11 locations we visited for the period covered by our review.

For each sample claim case, we gathered and analyzed data on the timing and sequence of processing steps and on the actual collections made. We determined (1) the effect that legislation, regulations, and individual offices' collection practices had on the efficiency and effectiveness of collection operations, (2) the amounts being collected through recoupment, cash payments, and other methods, (3) whether recoupment had been used where possible, and (4) the potential for increased use of recoupment if changes were made to existing recoupment authority.

No criteria were available as to how soon recoupment could have been started if collection actions had been taken in a more timely manner. Consequently, in calculating the amounts of lost or delayed recoveries, we established our own criteria based on the time we observed as being reasonable to complete all required collection steps. We established criteria for two situations encountered in the review: one in which a special unit was responsible for collections, and the other in which eligibility workers were responsible for collections.

Our sample results showed that at locations where claims were referred to a specialized collection unit, recoupment could have been started during the second month following the month of referral. Thus, in an office without a backlog, if a claim was referred for processing in July, the required recordkeeping and recipient notification could have been completed in July and August, and recoupment could have been started in September. We found that in offices that used eligibility workers to

conduct collection activities, recoupment could have been started during the third month following discovery of the overpayment. Thus, if eligibility workers discovered overpayments in June, they could have collected any necessary information, computed the overpayments, completed required recordkeeping and notification, and started recoupment in September. Officials in the states covered by our review agreed that the above criteria were reasonable.

For each sample case we reviewed, we determined the extent to which increased collections would have been possible during the 6-month period covered by our case review through more extensive or timely use of recoupment. The potential increase in recoupment collections during the period covered by our review was calculated from our sample cases and represented the difference between what was actually collected and what could have been collected, assuming recoupment had been started as soon as possible. Appendix II contains a detailed discussion of the precision of our sample estimates and explains how we computed the potential increased collections cited in this report.

The amounts presented in this report as potential increased collections from timelier use of recoupment during the period covered by our review represent the maximum additional collections that could have been made through greater use of recoupment. This magnitude of collections could have been realized when participants left the Food Stamp and AFDC Programs without fully paying off their claims. However, we could not tell how long the participants whose claims we reviewed would have remained in the programs. If all the participants stayed in the programs long enough to repay the entire amount of their overpayment claims, the benefit of earlier collections would have been limited to the amount of interest that might have been earned on those collections. This would be the minimum amount of benefits obtained from timelier collection actions.

For claims on which recoupment could not be used because the participants left the programs, we determined through our case studies what controls existed to start collection action should those individuals have reentered the programs. We also asked program officials whether and by what methods claims against former participants were being collected and the possibility of using other collection methods.

To provide a perspective on claims and collection activities, we obtained statistical data, including numbers and dollar amounts of claims established and dollar amounts collected, from reports provided to FNS and

OFA by the 11 offices reviewed. We also acquired automated claims data from all offices where such data were available. We analyzed the data to determine the original amount and unpaid balance of each claim type and, when such data were available, the amounts collected through each of the various collection methods. We did not verify the accuracy of these data.

We reviewed the USDA OIG and the GAO reports that deal with claims collection activities in the Food Stamp and AFDC Programs and in various other federal programs. During our review, USDA's OIG was making a review of food stamp claims collection activities at 42 local collection offices in 23 states. We coordinated our work with that office to prevent or minimize duplication of effort. For example, because the OIG review was addressing the status of food stamp collection activities and was making nationwide estimates on the amount of claims established and collections made through January 1984, we did not attempt to obtain such information on a nationwide basis in our review. Instead, we focused our review on how local collection offices were using collection methods such as recoupment to recover overpayment claims and to identify specific changes in their collection activities that would increase collections. We reviewed the OIG's report⁶ covering the results of its audit and included information from it in appropriate sections of this report. Because the OIG review work was still ongoing during our review, we were able to do only a limited analysis of its approach and methodology for projecting nationwide claims and collections data. On the basis of this review, the sampling methodology in the OIG report appears to be reasonable. We did not validate (1) how the OIG conducted its sample, (2) whether it actually sampled according to the plan, and (3) whether the assumptions made or final numbers published in the report were accurate.

We gathered information at the Office of Management and Budget and the Department of the Treasury's Internal Revenue Service (IRS) regarding the implementation of the Deficit Reduction Act provisions for claims collection through the offset of federal income tax refunds. Specifically, we obtained data on the effectiveness of this collection method for other programs and the implications of using it to collect AFDC and food stamp claims.

⁶Management of Food Stamp Claims, Audit Report No. 27648-2-A1, Office of Inspector General-Audit, USDA, Jan. 1985.

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The 6-month period covered in our case studies varied from office to office because some offices started using recoupment to recover food stamp claims later than other offices. We started our review in December 1983 at a collection office that started using recoupment at the earliest possible time, and we finished our case review work at the last office in July 1984. Our work was done in accordance with generally accepted government auditing standards.

Expanded Recoupment Authority and Other Changes Would Increase Collections

Recoupment has proven to be an effective tool for collecting benefit overpayments in the Food Stamp and AFDC Programs, but additional legislative and administrative changes would further increase the recovery of overpayments and improve consistency between the Food Stamp and AFDC Programs' procedures. For the Food Stamp Program, such improvements would require

- expanding states' authority to use recoupment to collect all claims against current participants, as is done in the AFDC Program, rather than limiting recoupment to participant-caused overpayments and
- eliminating the requirement that states offer overpaid participants subject to recoupment an option of repaying in installments.

For the AFDC Program, only the change regarding installment payments would apply. Although this option is not required by AFDC regulations, it was offered in four of the offices we visited. Some increased AFDC collections could result from greater use of recoupment instead of the installment option.

For the Food Stamp Program, these changes could have increased states' chances of recovering more of the estimated \$263 million of unpaid food stamp claims as of January 1984. We estimate that on claims established during the 6-month period at the 11 offices we visited, total food stamp collections could have increased 8 percent (\$116,000). The amount of additional collections at those offices would have ranged from \$162 to \$60,115—as much as 28 percent in one office.

Recoupment Improves Overpayment Recovery

States have significantly increased overpayment collections using the recoupment provisions required by the Omnibus Budget Reconciliation Act of 1981. In fiscal year 1984, nationwide recoupment collections amounted to \$10.1 million (31 percent) of the \$32.5 million total collections of food stamp overpayments and accounted for most of the \$13.9 million increase over the previous year's collections before implementation of the recoupment requirement. Recoupment also accounted for \$87.6 million of the \$131.2 million of AFDC collections in fiscal year 1984. Although data were not available to compare collections before and after states started using recoupment in the AFDC Program, state program officials we contacted said that recoupment had substantially increased collections.

Table 2.1 compares food stamp claims collections for the 11 states we visited.

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Table 2.1: Comparison of Food Stamp Claims^a Collections Before and After Recoupment Was Required

State	Total collections		Increase	Recoupment portion of total collections ^b
	Oct. 1982- Mar. 1983	Oct. 1983- Mar. 1984		
Alabama	\$77,567	\$428,043	\$350,476	\$264,321
Arkansas	37,807	99,280	61,673	40,736
Indiana	97,718	306,904	209,186	115,937
Kentucky	49,919	145,819	95,900	79,455
Nevada	24,892	31,721	6,829	20,243 ^c
New Jersey	227,587	546,674	319,087	196,205
North Carolina	320,990	304,796	(16,194)	158,447 ^c
Ohio	291,131	348,588	57,457	49,516
Oklahoma	34,351	56,889	22,538	18,949
Oregon	46,007	228,831	182,824	78,108
Texas	423,498	805,951	382,453	623,330
Total	\$1,631,267	\$3,303,496	\$1,672,229	\$1,845,247

^aTable includes both participant-error and agency-error claims.

^bRefers to Oct. 1983-Mar. 1984 collections.

^cThe amount of recoupment was greater than the amount of increase because some participants previously repaying through installment payments were repaying through recoupment.

The 1981 Omnibus Act requires states to use recoupment to recover overpayment claims in the Food Stamp Program, except those arising from agency errors. When recoupment is used to collect claims in either the Food Stamp or AFDC Program, monthly benefit reductions are limited so as not to impose undue hardship on participants. (See ch. 1 for an explanation of recoupment limits.) Prior to the 1981 act, FNS was allowed to collect overpayment claims but legislatively was prohibited from using recoupment to do so. On February 15, 1983, FNS issued final regulations requiring states to use recoupment for participant-error claims by April 1983 and permitting them to use recoupment to recover agency-error overpayments if participants consented. An FNS headquarters official told us that issuance of these regulations was delayed because they were part of a lengthy docket that included various other regulations arising from the Omnibus Act and other legislation. Although all states were to start using recoupment in April 1983, some did not do so until up to 6 months later because of various implementation problems. All the states we visited had their recoupment procedures in operation by the beginning of fiscal year 1984.

States have always been permitted to use recoupment to collect AFDC overpayment claims, but in 4 of the 11 offices we visited, recoupment had not been used before October 1981, when states were required to begin using it. We were unable to analyze the impact of recoupment in the AFDC Program through a before-and-after comparison because the states were not required to collect and report recoupment collection data until fiscal year 1984. However, AFDC officials in the states we visited told us that their overpayment collections increased after they began using recoupment.

AFDC and Food Stamp Program collection officials in the 11 states we visited said that recoupment has proven to be an effective method for collecting overpayments. They noted that recoupment is less expensive and requires less monitoring and accounting than other methods, especially in states that have recoupment capabilities built into their automated benefit issuance systems.

Recoupment Should Be Required for Overpayments Caused by Agency Errors

Collections of food stamp claims could be significantly increased if food stamp legislation and regulations were made consistent with those for the AFDC Program which require the use of recoupment for all overpayments—those resulting from agency errors as well as those caused by participants—if recipients do not voluntarily repay claims. Agency-error claims are a substantial part of total food stamp claims, but overpaid households were not making installment payments on about one-third of those claims in the offices we visited, even though the households were still receiving program benefits.

The AFDC and Food Stamp Programs' laws and regulations differ on the use of recoupment. In the AFDC Program, recoupment is required for all overpayment claims, while in the Food Stamp Program, the use of recoupment is not authorized for overpayment claims arising from agency errors unless the participant agrees to it. Thus, if a food stamp participant who was overpaid by agency error elects to repay through installments but fails to make the payments, food stamp officials cannot force repayment through recoupment as they can if the error was participant-caused. The agency-error participant must agree to the recoupment method.

In our 1983 report,¹ we said that a study of fiscal year 1981 data in eight states showed that 30 percent of incorrect food stamp issuances

¹See footnote 5, ch. 1.

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were caused by agency errors. Excluding claims involving suspected fraud, the eight states reported establishing about \$68 million of participant-error claims (79 percent) and \$18 million of agency-error claims (21 percent) in fiscal year 1984.

The states we visited were having difficulty collecting on agency-error claims. On the basis of our sample results, we estimate that of a total of 3,312 claims against current participants, 1,129 (34 percent) claims resulted from agency errors. We further estimate that the households involved agreed to recoupment on 703 (62 percent) of the claims. Households were making installment payments on 78 (7 percent) others. However, on an estimated 348 (31 percent) of the 1,129 agency-error claims, collections were lost or deferred because participants were not making any repayments, and since these participants had not consented to repay through recoupment, states could not use this procedure to collect these overpayments.

We estimate that if recoupment had been used to collect all agency-error claims established during the first 6 months of fiscal year 1984, recoveries could have been increased by an average of 7 percent in these offices, or a total increase of \$92,755. At 9 of the 11 offices we visited, recoveries could have been increased by as much as 18 percent—ranging from \$118 at one of the smaller offices to \$45,410 at one of the larger offices.

The USDA OIG's January 1985 report² also cited the advantages of using recoupment to collect food stamp agency-error claims. The OIG estimated that as of January 1984, agency-error claims nationwide totaled about \$55 million. The OIG also estimated that of the agency-error claims, 143,771, involving over \$25 million, were against households that were still participating in the Food Stamp Program and that 119,520 of those were not repaying the overpayments. The report stated that recoupment would increase collections on those claims by \$1.4 million each month. The OIG recommended that FNS propose legislation to require states to use recoupment to recover all agency-error overpayments.

AFDC and Food Stamp Program officials in the 11 states in our study told us that they would prefer to use the same collection methods for agency-error claims in both the AFDC and Food Stamp Programs. According to these officials, they do not perceive any difference between food stamp

²See footnote 6, ch. 1.

and AFDC agency-error claims that would necessitate a difference in regulations governing collections.

USDA supports the concept of using recoupment for agency-error claims. OFA headquarters officials said they perceive no difference between food stamp and AFDC claims or participants that would warrant the inconsistency in the use of recoupment.

In our February 4, 1983, report³ and in our subsequent testimonies, we recommended that the Congress amend the Food Stamp Act to conform with AFDC legislation requiring the use of recoupment for overpayment claims regardless of the reason for the overpayment. At the time that recommendation was made, the states had not implemented the recoupment provisions for food stamp claims; therefore, the extent that recipients would voluntarily use recoupment to repay overpayments could not be determined. However, data collected during this review showed that overpayments caused by agency error continue to be significant—\$18 million in fiscal year 1984—and states were not able to collect on a large percentage of these claims—about 31 percent of the claims at the locations we reviewed—because the recipients did not agree to recoupment and did not repay through other means.

Both the Senate-passed version of the Food Security Act of 1985 (H.R. 2100, as amended) and the Senate-passed version of the Consolidated Omnibus Budget Reconciliation Act of 1985 (H.R. 3128, as amended) would have permitted states to use recoupment to collect agency-caused overpayments. However, this provision in both bills was deleted in conference. On the basis of the states' experience in using recoupment for collecting participant-caused overpayments and the problems states are experiencing in collecting agency-error claims, we continue to believe that our recommendation—using recoupment for all types of food stamp claims—has merit.

**States Should Not Be
Required to Offer Food
Stamp Participants the
Option of Paying
Claims in Installments**

Food Stamp Program regulations require states to offer participants three options for repaying benefit overpayments: (1) a lump-sum payment, (2) installment payments, or (3) recoupment, if the household is still receiving program benefits. For the AFDC Program, neither law nor regulations require states to offer participants such repayment options; however, four offices we visited offered the installment option to participants with AFDC overpayment claims.

³See footnote 5, ch. 1.

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When the installment option is given, the collection office sends the recipient a notice that states the overpayment amount and informs the recipient of the options of repaying the claim in full or repaying through recoupment or installments. If the state determines that collection action through any of these payment methods would cause undue hardship to the recipient, collections can be suspended or repayment amounts reduced. If the recipient elects to repay in installments, the program office continues to send the full benefits to the recipient each month and the recipient sends payments to the collection office. In addition, the collection office maintains a control file to determine whether monthly payments were received and takes action to start recoupment when the recipient does not pay (except for food stamp agency-error claims).

We estimate that for the 3,312 food stamp claims in our sampled months at the 11 offices we visited, current participants who were notified of benefit overpayments and requested to repay the amounts owed elected to make installment payments on 289 participant-error claims. In 134 (46 percent) of the 289 cases, the participant did not make the agreed-upon payments, and collection staffs subsequently took steps to initiate recoupment, including giving the households another 30 days to respond to the recoupment notice as required by regulations. Recoupment on those claims was delayed 2 months or more and, in 15 of the 134 cases (11 percent), could not be started at all because the households had left the program in the interim. Collections totaling an estimated \$3,377 were lost or deferred on the 134 claims because of the delays in starting recoupment.

Five of the 11 offices also offered recipients the option of using installment payments for AFDC claims. AFDC regulations do not require collection offices to give recipients the option of repaying in installments, but they do allow the collection offices to refrain from using recoupment if the recipient is repaying the claim. Recipients elected to repay in installments on 17 of 177 AFDC claims in our sampled months that could have been collected through recoupment. Recipients stopped payments on nine of these cases, and as a result collections of \$710 were lost or deferred because participants did not make agreed-upon installment payments during the period we reviewed. This amount of potential increased collections represents the difference between the amounts actually paid on the claims through installments and the amounts that could have been recovered through recoupment.

Generally, state program officials we interviewed said that the installment option creates additional administrative steps and delays, or precludes full recovery. When installments are used, states need to establish an accounting and tracking process to monitor installment payments. If the participant does not make the agreed-upon payments, the collection office needs to recognize the missed payment(s) and, before starting recoupment, notify the participant, as required by food stamp regulations, that the payment was missed and that recoupment would be started. Officials in one state said that, in some cases, the installment option could allow faster recovery if the installment payments were greater than the allowed 10-percent benefit reduction but that, otherwise, they would prefer to use recoupment. For the cases we reviewed, we found that installment payments were usually not greater than the benefit reduction that could be made under recoupment.

FNS headquarters officials said that recoupment may be a more effective method of collecting claims against current participants than installment payments. However, they said that the Food Stamp Act requires that participants who obtain overpayments through intentional program violations be given the option of repaying through installments. They also believed that participants who received overpayments as a result of unintentional errors should be allowed the same repayment option. AFDC officials said that states are not required to offer the installment option on AFDC overpayments and that they believe recoupment is a more efficient method of recovering overpayments.

We believe that recoupment should be promptly initiated for all current program participants who had previously been overissued benefits. State and local collection offices should be allowed to use installment payments to supplement recoupment, but participants should not be given the opportunity to elect installment payments instead of recoupments. Of course, any participant who elects to repay an overissuance in a lump sum should be allowed to do so.

Conclusions

Recoupment has resulted in significant increases in overpayment collections in both the Food Stamp and AFDC Programs. However, states are restricted from using recoupment for certain types of overpayment claims, which adversely affects their ability to further increase overpayment collections. In the Food Stamp Program, states are not able to use recoupment for claims caused by agency error, unless the participant agrees to its use. Consequently, states are experiencing difficulties collecting these types of food stamp claims. In addition, states are

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required in the Food Stamp Program, and some states have elected in the AFDC Program, to offer participants the option of repaying overpayment claims in installments when participants are on program rolls and receiving benefits. When recipients fail to make installment payments, as is often the case, collections are delayed or lost, and collection offices incur the additional administrative costs of initiating collection actions again.

We believe that overpayments should be recovered by using the most expeditious method possible, but without imposing an undue hardship on program participants. Accordingly, recoupment should be used to collect all types of food stamp and AFDC overpayment claims from current recipients. The installment option should be allowed only when it will supplement recoupment and thereby result in faster recovery of the overpayment. Finally, program participants should always be allowed to make lump sum repayments of overpayments.

**Recommendations to
the Congress**

We recommend that to improve the effectiveness of states' collection operations, the Congress amend the Food Stamp Act of 1977 to authorize states to pursue mandatory recoupment on overpayments that were caused by agency errors, as is done in the AFDC Program. This can be done by amending the first sentence of section 13(b)(2)(A) (7 U.S.C. 2022(b)(2)(A)) by striking out "and claims arising from an error of the State agency."

We recommend that to further improve the efficiency and results of collection operations, the Congress amend the Food Stamp Act of 1977 to eliminate the requirement that states offer installment payments as an option in recovering overpayments from participants. This can be done by amending the first sentence of section 13(b)(1)(A) (7 U.S.C. 2022(b)(1)(A)) by striking out "in accordance with a schedule determined by the Secretary." Such a change would not preclude states from allowing lump sum repayments or using installments when a household is no longer participating in the program or supplementing recoupment with any additional payments the participant might wish to make.

Recommendation to the Secretary of Health and Human Services

We recommend that the Secretary of Health and Human Services direct the Administrator of the Office of Family Assistance to specify that recoupment be used to recover overpayments from all participants receiving program benefits. This recommendation would not preclude installment payments being used in the AFDC Program to supplement recoupment or lump sum payments to collect overpayment claims.

Agencies' And States' Comments and Our Evaluation

In commenting on a draft of this report, USDA, HHS, and the five states that commented (Indiana, New Jersey, Texas, Oregon, and Nevada) said that they generally agreed with the above recommendations. (See apps. III-V.)

Regarding our recommendation that the Congress amend the Food Stamp Act of 1977 to authorize states to pursue mandatory recoupment on overpayments that were caused by agency error, USDA said it agrees that this would enhance states' efforts to collect these types of recipient claims. It said that such a provision was included in the Senate's Reconciliation Bill and that the Department supported the provision during hearings before the Senate Agriculture Committee. USDA also said that states should be allowed to decide when recoupment should be used, which would be consistent with our recommendation.

The Indiana, New Jersey, Texas, and Nevada state agencies strongly agreed with this recommendation; however, the Oregon Department of Human Resources said that it believed that recovery on agency-error cases should remain voluntary for the client. The Oregon agency said that, currently, states retain no monies recovered on agency-error cases unlike recoveries on inadvertent household-error cases, where states retain 25 percent of the recoveries, and intentional program-violation cases, where states retain 50 percent. The Oregon agency also said that if recovery on agency-error cases is to be mandatory, states should be allowed a 25-percent retention rate equal to that for inadvertent household-error cases. We continue to believe that states should be authorized to pursue mandatory recoupment on overpayments that were caused by agency error. Benefit overpayments, regardless of whether they were inadvertently caused by households or by the agency, should be recovered. As we state in this chapter, recoupment would be an effective way to recover these overpayments. However, we and USDA have both taken the position in testimonies before the Congress that states should not be allowed to retain a portion of recovered overpayments caused by agency error.

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The five states that commented supported limiting the use of installment payments as an option in recovering overpayments from participants. USNA said that it supports the most expedient, effective recovery practical and that toward this end, it supported the recommendation. It added that our recommendation that the Congress eliminate the requirement that states offer installment payments as an option in recovering food stamp overpayments would be closely examined for inclusion with USDA's own legislative proposals in 1986. HHS said that the intent of our recommendation had merit and that it would consider clarifying through regulation that if a recipient opts to repay all or part of the overpayment immediately, the state will accept that payment and establish a recoupment schedule for any balance due.

Chapter 3

More Timely and Efficient Collection Action Could Increase Overpayment Collections

State program officials told us that the use of recoupment had resulted in more successful and efficient overpayment collections. We believe that additional changes in state collection procedures could further help to maximize the value of recoupment and other collection techniques and improve overall collection results. Such changes include

- placing priority on processing claims involving households currently receiving benefits,
- shortening and standardizing the time allowed for recipients to respond to debt notification letters,
- improving systems used to identify former participants who reenter the programs with outstanding claims so that collection action can be started to recover the overpayments, and
- initiating collection action on food stamp claims against participants awaiting administrative disqualification hearings.

We estimate that by emphasizing claims involving participating households, shortening and standardizing the debt notification period, and collecting from those awaiting disqualification hearings, food stamp overpayment collections on claims established during the 6 months ended March 31, 1984, in the 11 offices we visited could have been increased by a total of \$201,860, ranging from \$132 at one office to \$79,987 at another. At the individual offices, the collection increases would have ranged up to 51 percent, with an overall average of 14.5 percent.¹ Claims and collections data needed to make similar estimates for the AFDC Program were not readily available.

Regarding the identification of former participants who reenter the program with outstanding claims, we did not make any estimate because of the small number of such cases in our sample. However, USDA's OIG estimated that an additional \$2.9 million could be collected monthly if recoupment were used to recover overpayments from food stamp participants with outstanding claims.

Claims Against Current Participants Should Be Processed First

A significant factor limiting the amount of collections made on the food stamp and AFDC claims we reviewed was that states were not giving priority to initiating collection action, particularly recoupment, on overpayment claims involving current participants. Timely initiation of collection action is important because collecting overpayments from

¹See app. II for a further discussion of the precision and computation of these estimates.

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More Timely and Efficient Collection Action
Could Increase Overpayment Collections

households no longer participating in the programs is especially difficult, as discussed in chapter 4. Prompt initiation of collection action maximizes the period over which collections can be made. Of the 11 offices we visited, 8 had backlogs of claims awaiting processing but were not giving priority to starting collection action on claims against current participants. We found that, had priority been given to processing such claims, collections in these offices could have increased significantly.

Collection officials at the backlogged offices said that because they generally receive more claims than their staffs can handle right away, claims backlogs result. In this review, we considered an office to have a backlog if it had more claims awaiting collection action than could be processed in a month. Table 3.1 shows the number of claims backlogged and the months needed to process the backlogged claims, as estimated by the eight offices.

Table 3.1: AFDC and Food Stamp Programs' Claims Backlogged in Sample Locations

Collection office	Claims backlog		Number of months of backlog
	AFDC	Food Stamp	
Alabama/Jefferson	0	11,000	55
Arkansas	2,100	900	5
Indiana/Marion	0	(a)	(a)
Kentucky/Jefferson	0	100	4
New Jersey/Camden	0	1,200	6
North Carolina/Mecklenburg	—2,000 ^b —		20
Ohio/Montgomery	—790 ^b —		5
Oklahoma	700	1,100	3

^aMarion County, Indiana, had a backlog but did not have any data showing its size and could not estimate it because claims are processed through several groups, and the office did not record the number of cases in the total processing cycle.

^bData were not readily available in the Mecklenburg and Montgomery offices that would show a breakout of the backlog between the Food Stamp and AFDC Programs.

With one exception, these offices were processing backlogged claims on a first-in/first-out basis.² This means that in the Camden office, for example, a claim would generally not be acted upon until about 6 months from the time it was received.

The exception involves the Jefferson County office in Alabama. In September 1983, it began operating under a policy of first processing the

²This discussion applies to the procedures used for our sample cases. Arkansas subsequently changed its procedures, as noted later in this chapter.

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most recently identified food stamp claims, and then processing older claims as time permitted. In addition, the office added staff to its collection operation to ensure that it could process all new claims as they were received, as well as some of the backlogged claims. The sample claims we reviewed were processed using this procedure, and we did not find any delays in collection actions on those claims. (We did not determine the number of older unprocessed claims that involved current participants.) Although this procedure did not specifically give priority to claims against current participants, collection officials said that their procedure could increase collections because the most recent claims are the most likely to involve current participants. While this may be true in most cases, such an approach does not specifically assure that claims against current participants will be processed first.

To determine the effects of processing the oldest claims first in backlogged offices, we estimated the number of participants leaving the program before recoupment had totally recovered the overpayments. On the basis of the recoupment claims that we reviewed, we estimate that participants actually left the programs without fully repaying the overpayments in 226 AFDC cases (21 percent of all recoupment cases at the offices we visited) and 669 food stamp cases (20 percent of the recoupment cases) during the 6-month period covered by our review.

Although specific data on the length of time participants stayed on program rolls were not available in the offices, the Texas and Nevada state offices had data that enabled us to determine how long participants generally stayed in the programs in those states at any one time. Our analysis of data on food stamp participants in Nevada and AFDC participants in Texas showed that about two-thirds of the participants received benefits for less than a year. In contrast, our analysis of sample cases in the 11 offices we visited showed that an average of 18 months of recoupment would have been required to fully recover an overpayment. Because indications are that it generally takes longer to complete the recoupment process than the average length of time participants receive benefits, the earlier recoupment is started, the greater the potential for recovering a larger amount of overpayments, especially in offices that have backlogged claims. Since an office with a 3-month backlog, for example, would generally take 3 months longer to start recoupment or other collection action on a claim than an office without a backlog, an additional delay or loss of collections would result because there would be no recoveries during those 3 months.

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The backlogs at the collection offices we visited had an effect on the timeliness and effectiveness of using recoupment on the sample claims that we reviewed.³ We estimate that priority processing of food stamp and AFDC claims established against current participants in the month(s) sampled could have increased food stamp collections by \$8,289 and AFDC collections by \$10,267 over a 6-month period. Also, we estimate that for claims established against current participants during the first 6 months of fiscal year 1984, priority processing could have increased food stamp collections by as much as 36 percent and averaged 15 percent in those offices with backlogs. At the seven locations with increases, the increases ranged from \$921 to \$19,613. (See app. II for a further discussion of the computation and precision of these estimates.) We could not estimate the potential increases in AFDC collections on claims established against current participants during the first 6 months of fiscal year 1984 because the detailed claims and collections data needed to compute such estimates were not readily available.

AFDC and Food Stamp Program officials in the offices we visited that had claims backlogs told us that delays in processing claims adversely affected their ability to collect overpayments. To alleviate this problem, the Arkansas collection office subsequently started processing the most recently identified claims first—the same approach used by Jefferson County, Alabama (as noted earlier). Officials at the other offices with backlogs said that they would consider changing their priorities and start processing claims against current participants first or adding staff to reduce backlogged cases. However, such action was not taken during the time of our review at those offices.

The adverse impact of claims backlogs on collections also was recognized in the USDA OIG's January 1985 report on food stamp claims collection activities.⁴ The OIG estimated a nationwide backlog of 431,850 potential claims awaiting processing, involving \$208 million, of which \$118 million involved current participants. The report estimated that timely processing of these claims could increase collections by \$1.3 million a month for participant-error claims and \$236,280 a month for agency-error claims. The report included recommendations that FNS (1) encourage states to be aggressive and timely in establishing and collecting claims and (2) revise regulations to impose a reasonable time limit for processing claims.

³These sample claims were drawn from those established during selected months rather than drawing a sample of backlogged claims (see app. II for a description of our sampling approach).

⁴See footnote 6, ch. 1.

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States are allowed to set their own priorities in managing the claims caseload because neither food stamp nor AFDC regulations require states to give priority to processing claims against current participants. Food stamp regulations do not specify any criteria for timely processing of claims. AFDC regulations require prompt collection but do not have criteria for prioritizing claims processing. In addition, rather than specifying a length of time for starting claims processing, AFDC regulations require only that the states take action to collect claims by the end of the quarter following the quarter in which the overpayment is discovered. Consequently, in some cases, states would be permitted to take as long as 5 months to initiate collection action, which could result in lost or deferred recovery of AFDC overpayments.

Collection officials in Oregon noted that the AFDC claims processing time frame was unnecessarily lengthy and established more stringent criteria for starting collection action. Oregon requires that AFDC overpayment amounts be computed within 30 workdays after an overpayment is discovered and that collection action be taken within 5 workdays after the overpayment amount is computed. Although Oregon's criteria apply only to AFDC claims, program officials expressed the belief that the criteria also affect food stamp claims processing because they emphasize the importance of timeliness. Both food stamp and AFDC officials in Oregon told us that the criteria appeared as reasonable for application for food stamp claims as for AFDC claims. However, these officials said that they did not believe that they needed a similar specific requirement in the Food Stamp Program because their food stamp claims were already being processed in a timely manner.

OFA headquarters officials responsible for collection policy said that the criteria in AFDC regulations were an attempt to define the term "promptly," which is included in section 402(a)(22) of the Social Security Act, as amended (42 U.S.C. 602 (a)(22)), but that the time period specified was not based on a study of what would be a reasonable amount of time to act on claims. They said that they had not revised the criteria because they were not aware that the criteria needed to be revised and did not have sufficient information upon which to base new criteria. However, OFA headquarters officials recognized that in order to take full advantage of collecting through recoupment, collection offices that have backlogs should give priority to processing claims against current participants.

FNS headquarters officials said that timely processing of food stamp claims against current participants is important in order to maximize

overpayment recoveries and take full advantage of the recoupment collection method. In response to the January 1985 OIG report that recommended that a time limit be established on processing claims, the FNS Deputy Administrator for Family Nutrition Programs said that FNS was considering establishing such criteria to use as state performance guidelines. After a year's experience with such guidelines, FNS would determine if a regulatory change is necessary.

Time Allowed for Responding to Debt Notification Letters Should Be Shortened

Collections of overpayment claims in the Food Stamp Program and, in the case of some states, in the AFDC Program could be increased by shortening and standardizing the time allowed for participants to respond to debt notification letters. In both the AFDC and Food Stamp Programs, state agencies are required to send letters to participants notifying them of overpayments that occur and requesting repayment. For both programs, the recipients are to (1) decide if they will repay from their own resources or use recoupment and (2) return the notice showing their choice of repayment methods. If the participants do not respond to such notification, the state agency can initiate recoupment action as authorized by law and regulations. (In the Food Stamp Program, this would involve only participant-caused overpayment claims.)

Food Stamp Program regulations allow participants up to 30 days to respond to debt notification letters before starting collection action, and AFDC regulations require that states give participants at least 10-days' notice before starting collection action. The 30-day food stamp response period is based on a requirement in the Food Stamp Act, which specifies that participants overpaid because of their intentional program violations be given 30 days to respond to debt notification letters. However, the AFDC response period is based on a requirement that recipients be given timely notice of changes in benefit payments, and timely is defined as being at least 10 days before the effective date of the action. Our review of the legislative history of the food stamp provisions did not disclose any explanations for why the food stamp response period was 30 days. For the 11 states included in our review, we analyzed the extent to which these notification differences affected the time it took collection offices to initiate collection action.

In eight states, participants were allowed up to 30 days to respond to debt notification letters for food stamp claims and only 10 days for AFDC claims. In Arkansas, Ohio, and Texas, a 30-day response time was allowed for both AFDC and food stamp claims. In offices that allowed recipients 10 days to respond, recoupment was starting an average of a

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month earlier than in those allowing a 30-day response period. By starting recoupment a month earlier, these offices generally recouped more of the overpayments before recipients left the programs.

An analysis of our sample data shows that 40 percent of food stamp and 64 percent of AFDC participants did not respond to debt notification letters at all. Recipients generally responded if they elected to repay claims in lump sum or through installments, but did not respond if they elected to use recoupment because they were told that recoupment would automatically begin after the end of the response period. However, our analysis shows that of those participants who responded, 69 percent of food stamp participants and 84 percent of AFDC participants responded to the notification letters within 10 days. Our analysis also shows that by starting recoupment after a 10-day response period rather than a 30-day period, an average of 1 additional month of recoupment collections could have been made on each claim. We estimate that by using a 10-day response period for food stamp claims in the 11 offices, overpayment recoveries for recoupment cases could have been increased by 8 percent, ranging from 1 to 18 percent, as shown in table 3.2.

Table 3.2: Estimated Increase in Collections Using a 10-Day Notification for Food Stamp Claims Established During the 6 Months Ended March 1984

Location	Estimated Increase in collections	Percentage Increase
Alabama/Jefferson	\$898	4
Arkansas	5,622	6
Indiana/Merion	4,837	18
Kentucky/Jefferson	710	15
Nevada/Las Vegas	132	1
New Jersey/Camden	2,370	3
North Carolina/ Mecklenburg	256	2
Ohio/Lucas & Montgomery	3,396	9
Oklahoma	8,160	14
Oregon	31,897	14
Texas	48,006	6
Total	\$106,284	8

We were unable to project similar potential increases in AFDC collections on claims established during the 6 months in the three offices that used a 30-day notification because sufficient information was not readily available on the number of claims established and collections made each month of the review period.

State and local Food Stamp and AFDC Program officials said that a 10-day response time would be reasonable and adequate for both programs and that food stamp regulations should be changed to conform with AFDC regulations on response time. They said that this would improve the timeliness of recoveries and the administrative efficiency of recovery actions and would eliminate inconsistency in response time allowed program participants.

FNS and OFA headquarters officials also said that a 10-day response period would be reasonable. However, FNS officials said that the 30-day period for food stamp claims is based on a provision in the Food Stamp Act that requires that participants overpaid because of their intentional program violations be given 30 days to respond to debt notification letters. They said that they believed that other overpaid participants should be given as much time to respond to notification letters as those who intentionally violate program rules.

On the basis of the use of a 10-day response time for AFDC claims, our findings on actual participant response times, and the increased collections possible using a shorter response period, we believe that a 10-day response period for all claims should be established.

Debt Check Systems for Former Participants Reentering the Programs Should Be Improved

Collections of overpayments could be increased if Food Stamp and AFDC Program offices would improve their systems for identifying former participants with outstanding claims who reenter the programs. In most of the offices we visited, program officials were relying on manual systems to identify these individuals. In some instances, the processes used were not effective in identifying such individuals nor in ensuring that collection action was started at the earliest possible time after reentering either of the programs.

Participants owing on overpayment claims often leave the Food Stamp and AFDC Programs before claims against them are collected. If such former participants reenter the programs, collection action, including recoupment, on their unpaid claims should be started as soon as possible. The 11 offices we visited were using various methods for identifying former participants with outstanding claims who reentered the programs. Three of the 11 offices—Oklahoma, Oregon, and Nevada—were using automated benefit issuance systems that started recoupment whenever a participant with an outstanding claim was issued benefits. In these offices, program officials entered claim amounts in participants' benefit records when participant-caused claims were first established.

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Subsequently, whenever benefits were issued to a participant with an outstanding claim, the issuance system automatically computed the recoupment amount, adjusted current benefits, and adjusted the outstanding claim balance.

The other eight offices did not have this capability in their automated issuance systems and had to rely on a manual process to identify individuals with outstanding claims who return to program rolls. In the Jefferson County, Kentucky, office, collection officials received a list of new participants each month, checked it against a list of outstanding claims, and started recoupment on those who had outstanding claims. In Arkansas, the county program offices had to make inquiries through the automated claims file to determine if applicants had outstanding claims. The other six offices used a "casefile-flagging" system to identify new participants with outstanding claims. This process generally involved placing a form in a participant's casefile that noted that an outstanding claim exists. When the individual reenters the program, the eligibility worker checks the casefile to determine if an outstanding claim exists and starts recoupment with the first monthly benefit.

We reviewed a sample of claims in the eight offices that used a manual system to flag former participants with outstanding claims who reenter the program and found that such applicants were not always identified as having outstanding claims. As a result, in four of the eight offices, recoupment was not started for some participants with outstanding claims when they started receiving benefits again. On the basis of our analysis of 25 cases, we project that the operation of the manual systems in these four offices did not identify about 7 of every 10 participants who owed on previous claims.

The USDA OIG's January 1985 report⁶ also cited weaknesses in collection offices' systems to identify food stamp participants with previous claims outstanding. The report stated that 22 of 42 offices OIG visited did not have systems to identify households with outstanding claims. In addition, some of the other offices had systems in place but relied on manual flags that did not always work properly. The OIG estimated that about 265,000 households with outstanding claims were receiving food stamps but were not repaying amounts owed or having their allotments reduced. The report said that an additional \$2.9 million a month could be collected if recoupment were used to recover the \$59 million in overpayments to such households. The OIG recommended that states flag

⁶See footnote 6, ch. 1.

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manual systems or program automated certification and issuance information systems to intercept households with outstanding claims at any certification point within the respective state. FNS said that program regulations required systems to identify such situations but that more vigorous enforcement of the requirement was needed.

In a June 14, 1986, memorandum, FNS' Deputy Administrator for Family Nutrition Programs informed all regional directors that some localities were not identifying households with outstanding claims at the time of certification so that collections can be pursued. The memorandum informed the regional directors that these localities were out of compliance with FNS policy and that all states that did not have a system in place to identify applicants with outstanding claims should immediately begin developing one. In addition, the memorandum stated that in fiscal year 1986, FNS planned to revise its claims regulations to make the requirements for such a system explicit.

**Collection Action
 Should Be Started on
 Claims Against
 Participants Awaiting
 Administrative
 Disqualification
 Hearings**

States can recover more food stamp overpayments if they begin collection action on claims against participants scheduled for administrative disqualification hearings, as some states now do, rather than waiting until after the hearings are held. States have two choices—criminal prosecution in court or disqualification hearings administered by the Food Stamp Program office—for adjudicating food stamp cases in which participants have received overpayments that state program officials suspect were caused by the participants' intentionally providing incorrect information on eligibility and benefit determinations. (The AFDC Program does not use a similar administrative hearing process.) Regardless of the results of either procedure, and since an overpayment is known to have occurred, collection action will be taken on the claims at some point in time. Taking early collection action might provide a disincentive for court prosecution because some district attorneys refuse to prosecute suspected fraud cases on which collection action has been initiated because court action in such cases will not result in further collections. However, taking early collection action should not affect the number of administrative disqualification hearings because these hearings are conducted by state program officials who do not face crowded court calendars and would therefore hold hearings even if collection action was underway.

Of the 11 offices we visited, 7 were routinely using the administrative hearing process for their suspected fraud cases, and 4 were rarely using it. All these offices used court prosecution to adjudicate some of their

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suspected fraud cases. State program officials said that the decision to do so generally depends not only on state laws and regulations but also on the size and relative merits of the case. In one office that routinely initiated recoupment while cases were pending court action, officials told us that prosecuting attorneys did not believe cases were prejudiced by collection action. In the other offices, however, officials said that the prosecuting attorneys they deal with would not prosecute a case if collection action had started because they believed such action would preclude effective prosecution.

Two of the seven offices that routinely used the administrative disqualification process pursued collections while cases were awaiting such hearings. Program officials in these two offices said that they believed that such actions would not affect the outcome of the hearings. The other five offices treated such claims the same as those awaiting criminal prosecution in court.

The Food Stamp Act does not specifically address the timing of collection action to recover overpayments from households scheduled for administrative disqualification hearings or court prosecution. However, food stamp regulations give states the option of postponing collection action on such cases if they believe that collection proceedings might prejudice the outcome of the adjudication.

From our review of collection actions, we believe that states could substantially improve recoveries by starting collection action on claims against participants awaiting administrative hearings. In four offices that used such hearings but did not pursue collection until after the hearings were completed, collection through recoupment was generally delayed at least 4 months. If recoupment procedures had been started while administrative hearings were pending, the offices could have increased collections an average of \$89 per claim,⁶ based on our sample of claims.⁷ In fiscal year 1984 (the most recent nationwide data available), 22,699 administrative disqualification hearings were held.

⁶The potential increased collections were computed based on the use of recoupment because (1) this was the collection method later used when collection action was initiated or (2) the recipient never agreed to repay; therefore, recoupment was the only collection method that could have been used while the recipient was still receiving benefits.

⁷A separate sample of 50 claims pending administrative disqualification hearings was examined in Texas because, although the state leads the nation in number of administrative hearings, only one such case surfaced in our original sample. The state conducted 4,245 hearings in calendar year 1983. The separate sample of cases was selected from the record of 502 hearings held in January 1984.

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Program officials in the five offices that delayed collection until after administrative disqualification hearings were completed had varying reactions to our review results. Officials in Jefferson County, Alabama, and Mecklenburg County, North Carolina, said that their policy—to delay collection action until after hearings—was based on their interpretation of food stamp regulations. When we pointed out that the regulations did not prohibit collection action before hearings, these officials said that they would reconsider their policy.

Arkansas collection officials told us that prior to November 1983, they delayed initiating collection action on all potential fraud cases because they believed district attorneys would not prosecute such cases. However, they said they realized that early collection action did not affect administrative disqualification hearings, and now Arkansas initiates collection action as soon as a decision is made to use administrative disqualification hearings. Our sample cases were selected from those established in July 1983, before Arkansas changed its policy.

In commenting on a draft of this report, the Commissioner, Texas Department of Human Services, opposed starting collection action on claims against participants awaiting administrative disqualification hearings. The Commissioner said that it would be administratively burdensome to begin nonfraud recovery and then have to amend the status to fraud recovery following the hearing. He also said that to begin collection action against these participants prior to their hearings appears to be a denial of their right to due process. The Commissioner's comments are included in appendix III, and our evaluation of his comments is included at the end of this chapter.

FNS officials told us that states are permitted to begin recoupment on claims against participants awaiting administrative hearings. They said that they did not believe that initiating recovery actions should or would affect administrative hearing decisions because the hearings are a state administrative procedure, rather than a court action. However, FNS officials do not believe that it is necessary to specifically require states to begin recoupment on participants awaiting hearings. We believe that states could increase overpayment collections substantially if they initiated collection action as soon as a decision is made to adjudicate through administrative hearings.

Conclusions

The success and efficiency of collection actions can be further enhanced if they are started at the earliest possible time. However, several impediments are preventing state collection offices from taking timely and efficient collection actions.

First, neither food stamp nor AFDC regulations give needed emphasis to the priority processing of claims against current participants. Although it would be best to process all claims as soon as they are received, this is not always possible because of the large volume of claims in many offices. However, we believe that collection offices having more claims awaiting processing than they can handle in the month received, as we found to be the case in some offices, should specifically give priority to processing claims involving current participants. By doing so, states will increase their chances of collecting on claims before recipients leave the programs and stop receiving benefits.

Second, the 30-day debt notification response period required for the Food Stamp Program and used in some states for the AFDC Program is unnecessarily lengthy and significantly reduces, or delays the start of, collections. Although participants should be given a reasonable period of time to respond to notice that they must repay excess benefits they received, such response time should not be excessive because it can delay the start of recoveries. We believe, and federal, state, and local program officials agreed, that AFDC's 10-day response period should be adopted for both programs to improve collections, administrative efficiency, and consistency between the programs.

Third, the systems used by some states to identify former participants with outstanding claims who reenter the programs have not been fully effective and, as a result, collections have not been made of amounts owed by some of those participants. States need to ensure that, whenever possible, collection action is started in such cases to recover overpaid benefits.

Fourth, some states' practices of delaying collection action on recipients until administrative hearings are completed have reduced the amount of overpayments collected. By changing food stamp regulations to require collection action on claims against participants awaiting administrative disqualification hearings, states could increase collection results without impairing their ability to obtain fair and objective determinations as to whether the participants involved intentionally violated program rules.

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Recommendation to the Congress

We recommend that to improve collections of overpaid benefits, maximize the use of recoupment, and improve consistency between the AFDC and Food Stamp Programs, the Congress amend the Food Stamp Act of 1977 to require a maximum 10-day period for participants to respond to payment demand letters. Such a change can be accomplished by changing the word "thirty" to "ten" in the second sentence of section 13(b)(1)(A) (7 U.S.C. 2022(b)(1)(A)).

Recommendations to the Secretaries of Agriculture and Health and Human Services

We recommend that to improve the timeliness of state collection actions, the Secretaries of Agriculture and Health and Human Services direct the Administrators of FNS and OFA, respectively, to

- require priority processing of claims involving current participants by establishing time-period criteria that would require prompt collection action on such claims and
- evaluate the operations of states' systems used to start collection action on cases involving former participants with outstanding claims who reenter the programs, identify reasons why such cases are not always identified at the time of application, and assist the states to improve their operations to remedy any such problems.

Recommendation to the Secretary of Agriculture

We recommend that the Secretary require states to initiate collection action on food stamp claims involving participants awaiting administrative disqualification hearings.

Agencies' and States' Comments and Our Evaluation

In commenting on a draft of this report, USDA, HHS, and the five states that commented said that they generally agreed with these recommendations. (See apps. III-V.)

Regarding our recommendation that the Congress amend the Food Stamp Act of 1977 to require a maximum 10-day period for participants to respond to payment demand letters, USDA said that it was scheduling such a provision for consideration in developing future legislative proposals. The Oregon Department of Human Resources said it agreed that the 30-day period is unnecessary and inconsistent with AFDC collection standards. It also said a 10-day response time is more effective and would make food stamp collection standards consistent with AFDC standards. In addition, the Texas Department of Human Services strongly

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supported shortening the time allowed for responding to debt notification letters.

HHS agreed with the intent of our recommendation to require priority processing of claims involving current participants by establishing time-period criteria that would require prompt collection action on such claims. HHS said that, although its AFDC regulations require prompt collection of benefit overpayments and it is a sound administrative practice to give priority to claims involving current recipients, it does not believe it would be practical to mandate such a procedural practice through regulation. However, HHS said that it would issue an Action Transmittal which instructs the states on appropriate management practices for handling backlogs of overpayment claims. It is unknown at this time whether the action proposed by HHS will adequately address the backlog problem. We believe it makes sense for offices that have a backlog of claims to give priority to claims against current recipients. By doing so, these offices will maximize their administrative resources by having their collection personnel work on claims that have the greatest potential for recoveries.

USDA said that as part of an interagency effort to more closely align AFDC and Food Stamp Program regulations, FNS is proposing to adopt AFDC time frames for acting on claims. That is, states will be required to initiate collection action by the end of the quarter following the quarter in which the overpayment is first identified. We believe this proposal represents a step in the right direction. However, as pointed out in this chapter, such a procedure still would allow states as long as 5 months to initiate collection on an overpayment and could result in lost or deferred recovery of overpayments. In working together on their interagency effort, FNS and OFA have an opportunity to examine ways to further tighten this time-period criterion to allow for faster initiation of collection action for these types of claims.

USDA and HHS agreed with our recommendation to evaluate the operations of the systems states use to start collection action on cases involving former participants with outstanding claims who reenter the programs and to help states improve these systems. USDA said that it was encouraging states that do not have such capability to include it in their systems and that it was continuing to take action to promote this aspect of recovering overissuances. USDA said that it was preparing a publication intended to provide states with technical assistance with claims systems in general and that the system to check on debts of those

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reentering the program is a key component discussed in that draft publication. USDA also said that it was emphasizing claims as a priority item this year and that as its regional offices examine states, problems will be identified and appropriate corrective actions encouraged. USDA added that it had alerted its regions to work with states to assure that states' systems provide for identifying these cases.

According to HHS, its Financial Operations Manual was being updated. The manual prescribes the schedule, scope, and content of AFDC financial management reviews conducted in the states. HHS said that the update, which was to be distributed in January 1986, would require, among other things, a special review devoted to state internal controls and overpayment recovery systems. In addition, HHS said that the manual would require follow-up actions in instances when a review is conducted and deficiencies are found. According to HHS, the special review of overpayment recovery systems is to be completed in each state within the next 3 years and will address the issue we raise on starting collection actions on former recipients with outstanding claims who reenter the AFDC Program.

USDA and the Texas Department of Human Services disagreed with our recommendation that USDA require states to initiate collection action on food stamp claims involving participants awaiting administrative disqualification hearings. USDA said that a regulatory change is not necessary to speed the collection of claims from these recipients because states have this option under current rules. USDA added that states are best qualified to determine when collection of these claims is feasible and said that it would continue to remind states of this option and encourage them to use it where appropriate. We continue to believe that USDA should require states, through regulation, to initiate collection action on these types of food stamp claims. As discussed in this chapter, four of the six states we visited that used the administrative disqualification process were not pursuing collections while cases were awaiting such hearings and substantial recoveries were being lost.

The Texas agency did not agree that collection action should be started on claims against participants awaiting administrative disqualification hearings. It said that it offers these recipients an opportunity to waive their attendance at the administrative hearings and negotiates payback agreements with those who do so. The Texas agency estimated that 50 percent of the recipients do not waive their attendance and said that it believed these individuals clearly wish to have a hearing of their positions before an objective third party. According to the Texas agency, to

begin collection action against these persons prior to their hearings appears to be a denial of their right to due process. In addition, the Texas agency said that it believed it would be administratively burdensome to begin nonfraud recovery and then have to amend the status to fraud recovery following the hearing, as would be the situation in about 93 percent of these cases. The agency estimated that 6,000 claims each year would have to be converted from 25 percent state retention to 50 percent state retention, and the recoupment from 10 to 20 percent of the allotments. Finally, in the draft of this report, we indicated on the basis of discussions we had with program officials during our review, that Texas would reconsider its position on this issue. However, in its formal comments, the Texas agency said that it was not willing to reconsider and it asked that the final report reflect its official position.

We believe that the Texas agency should initiate collection action against individuals awaiting administrative disqualification hearings. Such an action would not deny due process to the recipient because an administrative disqualification hearing can only be initiated after an overpayment has been identified and the recipient has the right to appeal the overpayment amount. The purpose of the administrative hearing process is to determine whether an overpayment was caused by intentional error (fraud) on the part of the recipient. Regardless of the hearing's outcome, the state must ultimately attempt to recover the overpayment. The individual would still have the right to prove the overpayment was not caused by intentional error during the hearing. Also, the recipient has the right to appeal the overpayment decision by requesting a fair hearing. All collection action is suspended while such a fair hearing is pending. Implementing our recommendation would not affect the fair hearing process.

On the matter of administrative burden, some administrative action is already needed to handle the proper disposition of these cases. While there may be some additional administrative cost associated with amending the status of these cases, we believe the potential increase in collections—\$89 per case—warrants our recommended action. In addition, the two states in our sample that already initiate collection action while administrative hearings are pending and the remaining states that commented on our report did not indicate that amending the status of these cases to fraud recovery following the hearing would be administratively burdensome.

More Use Should Be Made of Additional Techniques to Collect From Former Participants

States generally have had more difficulty collecting from those no longer in the programs than from current participants. In our 1983 report,¹ we said that collections from former food stamp participants were limited because states were not pursuing all available collection techniques, such as using small claims courts and private collection agencies and offsetting state income tax refunds against benefit overpayments. In enacting the Omnibus Budget Reconciliation Acts of 1981 and 1982, the Congress provided states financial incentives to recover overpayments and authority to use any collection techniques available under state law. Since then, FNS has encouraged states to use all available means of collecting claims from former participants. While some states' collection offices had increased the use of additional methods to collect claims against former participants, others made only limited use of additional techniques because they were not available under state law, because program officials did not believe they were effective, or for other reasons. According to the USDA OIG's January 1985 report,² claims against households no longer participating in the Food Stamp Program totaled about \$135 million, and payments were not being made on \$85 million of these claims.

In December 1985, legislation was enacted to require, rather than authorize, states to use all cost-effective collection means for food stamp overpayments and to allow states to collect overpaid food stamp benefits in cases of intentional violation by having appropriate amounts withheld from any unemployment compensation due an individual. The legislation also allows state unemployment compensation agencies to require applicants to disclose whether they owe an uncollected overissuance of food stamps.

The experiences of Oregon, New Jersey, and HHS' Office of Child Support Enforcement with the use of tax refund offsets indicate that this method might also improve collecting claims against former participants if offsets of federal income tax refunds were used for the AFDC and Food Stamp Programs. The Deficit Reduction Act, enacted in July 1984, authorizes retention of federal income tax refunds to satisfy nontax debts owed the federal government. However, it is unclear whether the Congress intended that food stamp and AFDC overpayment claims be covered by the act's offset provisions because the language of the act does not specify coverage of these claims. HHS' General Counsel has

¹See footnote 5, ch. 1.

²See footnote 6, ch. 1.

determined that AFDC overpayment claims do not qualify for offset under the act, while Agriculture's General Counsel has determined that food stamp overpayments qualify for offset. We believe that the potential improvements in collections warrant congressional consideration of specifically authorizing the use of federal income tax refund offsets for the Food Stamp and AFDC Programs on a trial basis and continuing the use if it proves to be cost-beneficial.

Results of Legislative Initiatives to Increase Collections From Former Participants Have Been Mixed

To improve collections in the Food Stamp Program, the 1981 and 1982 Omnibus Acts allowed states to retain a share of some of the amounts collected and authorized states to use any collection techniques available under state law. The Food Security Act of 1985, enacted December 23, 1985, strengthened the latter provision by requiring states to use all cost-effective collection means. The Congress also emphasized the need for aggressive collection actions in the AFDC Program by enacting legislation requiring states to take appropriate action under state law against the income or resources of former participants to recover overpayments.

Food stamp and AFDC laws and regulations require that states initiate collection action on any claim. Food stamp regulations require that a letter demanding repayment of an overpayment be sent to the household involved and, if there is no response from former participating households, follow-up letters be sent at reasonable intervals, such as 30 days. The number of demand letters required varies with the size of the claim. AFDC regulations do not specify any requirements for demand letters; however, states are required to give participants adequate notice of any adverse actions. If demand letters do not result in the start of repayment, states may pursue collection action against former participants of either program through any method available under state law.

Table 4.1 shows that if demand letters did not result in collections, five of the offices we visited did not use any other collection techniques; the other offices used various other methods. Data were not available to show the effectiveness of each collection method used.

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Table 4.1: Collection Methods Used
Against Former Participants

Collection office	Small claims court		Garnish wages	Private agencies	State tax intercept
	Judgments	Liens			
Alabama/ Jefferson					X
Arkansas					
Indiana/Marion					
Kentucky/ Jefferson					
Nevada/Las Vegas	A		A		
New Jersey/ Camden					X
North Carolina/ Mecklenburg	X	X			
Ohio/Lucas & Montgomery					
Oklahoma		A			
Oregon	X	X	X		X
Texas				X	

X - Collection method used for food stamp and AFDC claims.

A - Collection method used for AFDC claims only.

Program officials in the four county offices in Alabama, Indiana, and Ohio that used only demand letters told us that they did not have interest in using additional collection techniques, except for tax refund offsets, which were not authorized under state law. In the fifth office (Jefferson County, Kentucky), new initiatives were being considered. If demand letters did not result in collections in Jefferson County, Kentucky, the claims were to be referred to a newly created state collection office for further action. According to program officials, that office was created in 1984 by the state program office in Kentucky to pursue collections from former participants because local offices did not have sufficient staff resources to do that. We also were told that the new office would pursue collections through whatever methods program officials believe to be cost-effective. At the time of our discussion, they were considering the possibility of using small claims courts, private collection agencies, or state tax refund offsets, but their plans were not firm at that time. Some of the collection approaches that other offices used are discussed in the following paragraphs.

In fiscal year 1984, Texas completed a 6-month pilot project in Harris County (Houston) in which food stamp claims against former participants resulting from intentional program violations were collected.

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through a private collection agency. These included claims outstanding since 1981. The state's agreement with the private collection agency allowed the collection agency to retain 30 percent of the collections and required that collection activities comply with state laws regarding individuals' privacy rights. The private agency collected \$7,972 on 84 of 160 claims referred.

State collection officials regard this project as successful and cost-effective because they believe that recoveries would not have been made otherwise. During our review, the state office was in the process of making agreements with collection agencies in other parts of the state. Although all collection offices in the 11 states we visited were permitted to use private collection agencies, officials in the other 10 states said that their offices could collect as effectively as the private agencies, or that they were unsure of possible legal repercussions regarding private collection agencies' methods or the release of federal claims information to such agencies.

In Oklahoma, if demand letters to former AFDC participants did not result in recoveries, action was taken through small claims courts to file liens against the former participants' real property. Under state law, the collection office could file liens to recover overpayments only of benefits involving state funds; therefore, liens could not be used to recover overpayments of food stamp benefits, which are wholly federally funded.

Offices also pursued collections through small claims courts in Oregon; Mecklenburg County, North Carolina; and Nevada. Oregon officials stated that they used small claims courts to obtain civil judgments, liens, and wage garnishments to collect AFDC and food stamp claims when collection officials had knowledge that the former participants had assets or income that was subject to such action. The Mecklenburg County office took similar action in small claims court, except for wage garnishment for which it did not have authority under state law. Nevada program officials told us that collection offices in Nevada were using small claims courts to obtain civil judgments and wage garnishments to collect AFDC claims from former participants. The officials said that small claims courts were used for AFDC but not food stamp claims because Nevada's AFDC claims were generally larger than food stamp claims. Also, they said that experience had shown this method to be cost-effective for AFDC but not for food stamp claims. None of three offices had data showing the cost-effectiveness of using small claims courts. However, program officials told us that this method could be effective when

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it is known that a former participant with an unpaid claim has assets or income that could be attached through the courts.

All collection officials with whom we discussed state tax refund intercepts viewed this approach as a highly cost-effective collection method, but only 3 of the 11 states we visited (Arkansas, New Jersey, and Oregon) had authority under state law to use this method. Arkansas had recently acquired such authority and planned to begin using it in 1984. Arkansas collection officials said that the 1981 Omnibus Act provisions authorizing states to retain a share of the collections was a key factor in their obtaining authority to recover overpayments through the interception of state income tax refunds. New Jersey had been using tax refund intercepts for the AFDC and Food Stamp Programs since 1982. Oregon started in 1976 for AFDC claims and expanded to food stamp claims after states were authorized to retain a share of the collections. The intercepts in New Jersey and Oregon include refunds of both state income taxes and property taxes. Table 4.2 shows the results of income and property tax refund intercepts in New Jersey and Oregon.

Table 4.2: Use of Tax Refund Intercepts to Collect Overpayments in New Jersey and Oregon

State and calendar year	Number of claims referred for intercepts	Total collected
New Jersey		
1982	1,730	\$54,319
1983	9,588	350,808
1984	14,756	^a
Oregon		
1982	33,950	274,464
1983	32,147	528,985
1984	37,800	243,388 ^b

^aData for this period were not available at the time of our review.

^bCollections through Mar. 1984.

In New Jersey, county welfare agencies may submit for tax refund interception claims for overpayments of \$100 or more to AFDC or food stamp participants who have been the subject of court orders, who have defaulted on a repayment agreement, or who were repaying through recoupment but are no longer receiving benefits. Oregon uses tax refund intercepts to collect overpayments of \$25 or more. In both New Jersey and Oregon, the tax departments retain 10 percent of the collections to cover their costs. The AFDC and food stamp collection offices we visited

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in these states did not have any additional data available on the administrative costs associated with this collection method; however, officials at these offices said that, overall, the tax refund offset procedures were highly cost-beneficial.

In our 1983 report,³ we recommended that USDA provide technical assistance to improve claims collections by (1) disseminating information on alternative and innovative collection techniques and (2) assisting in implementing these collection strategies by such actions as developing model state legislation authorizing the offset of state income tax refunds to recover overpayments. FNS' efforts in this area included distributing information on collection techniques that some states had found to be effective. We also recommended that the Food Stamp Act be amended to require states to recover overpayments by taking appropriate action under state law against the income or resources of an individual or household no longer participating in the program. We said that such appropriate action would include consideration of whether the recovery and deterrent benefits involved justify the associated collection costs. The Congress recently adopted our recommendation by including such a provision in the Food Security Act of 1985.

**Use of Federal Income
Tax Refund Intercepts
Has Potential for
Increasing Collections**

Offset of federal income tax refunds has potential for improving the collection of delinquent AFDC and food stamp claims—claims against former recipients that have been the most difficult to collect. The experience of two states (Oregon and New Jersey) and the Office of Child Support Enforcement with the use of tax refund offsets indicates that the offset procedure is effective at recovering such claims. However, the cost-effectiveness to the federal and state programs and the financial impact on former recipients of using this collection procedure for food stamp and AFDC overpayment claims is unknown and should be determined. Some federal and most state program officials we talked with said that they would like to use the federal tax intercept procedure to collect delinquent claims, but they believe current legislation does not allow them to do so. We believe the Congress should consider specifically authorizing the use of this collection procedure, on a test basis, for the Food Stamp and AFDC Programs so that the states and federal program officials could use it in circumstances where they believe it is cost-effective to do so.

³See footnote 5, ch. 1.

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Offset of tax refunds to recover delinquent debts is generally considered by program officials to be a collection method of last resort. They say it should only be used on claims against former recipients because recoupment would be used for claims against current recipients and, therefore, such claims would not be considered delinquent. Also, claims against former recipients would not be considered delinquent unless they had been notified of the overpayment and the former recipients were not repaying.

According to Office of Child Support Enforcement officials, federal income tax refund intercepts have been successfully used to recover delinquent child support payments under authority of the Omnibus Act of 1981. Office of Child Support Enforcement officials told us that this process has been highly cost-effective—\$179 million of federal income tax refunds offset against delinquent child support payments for 698,000 cases in 1983, with \$3.7 million reimbursed to IRS for the cost of making the offsets. Figures for the first 9 months of 1984 were \$205 million of offset for 912,045 cases with \$1 million in reimbursed costs. Under an interagency agreement, claims of \$150 or more that have been delinquent for 3 months or longer are referred each December to IRS for tax refund offset during the following year. However, we were told that IRS will offset refunds against claims as small as \$25. Collection of these size claims is consistent with AFDC and food stamp regulations, which specify that the states should pursue the collection of claims of \$35 or larger.

A large percentage of the AFDC and food stamp claims exceed the \$150 minimum size used in the child support tax refund offsets. On the basis of our sample results, we estimate that in the 11 offices reviewed, overpayments of \$150 or more occurred in 65 percent of all the AFDC claims and 44 percent of all food stamp claims. Of the claims we reviewed, the average claim established in fiscal year 1984 was \$466 for the AFDC Program and \$343 for the Food Stamp Program. The USDA OIG reported similar findings in its January 1985 report.⁴ The report projected that overpayments of over \$100 accounted for about \$240 million (91 percent) of the \$263 million of unpaid claim balances. We were unable to determine the cost-effectiveness—the overall improvement in collections—or the financial impact on former recipients because data are not readily available from program records on the number of former recipients with tax refunds and the refund amounts.

⁴See footnote 6, ch. 1.

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The Congress authorized the use of federal income tax refund offset for other programs in the Deficit Reduction Act of 1984. The act directs the Secretary of the Treasury to intercept federal income tax refunds otherwise due to individuals and offset them against past-due legally enforceable debts owed the federal government by such individuals. The act calls for a 2-year test of the offset procedures. However, it is unclear whether the Congress intended that the tax refund offset provision be used for the Food Stamp and AFDC Programs. Although the act excludes the Old Age, Survivors, and Disability Insurance Program, it does not specify which programs are included in the offset authority. The only mention in the legislative history of the applicability of these provisions for assistance programs was in a statement inserted for the record. In this statement, the Chairman of the Senate Committee on Agriculture, Nutrition, and Forestry recommended that the tax offset provision be passed because it would improve collections in many federal programs, including the Food Stamp Program. He referred to several GAO reports issued since 1978 (see ch. 1) that pointed out the need for improved collections and recommended the offset of federal income tax refunds to recover overpaid benefits in the food stamp and other needs-based programs.

FNS officials told us that federal tax refund intercepts would be a desirable mechanism to recover overpayments, especially against former participants. In a May 7, 1985, memorandum, Agriculture's Office of General Counsel informed FNS' Deputy Administrator for Family Nutrition Programs that the Deficit Reduction Act amendment would apply to food stamp claims, which means that federal tax intercepts could be used to recover overpayments. However, Agriculture was unsure about the requirements that HHS would impose on agencies that request tax intercepts. FNS officials said that they would like to test the cost-effectiveness of intercepting federal tax refunds before making widespread use of the procedure.

OFA officials told us that they do not believe that the tax refund intercept provisions apply to AFDC overpayments, based on the advice of HHS' General Counsel that AFDC overpayments are not debts owed to the federal government. HHS' General Counsel contended that an erroneous AFDC payment to a participant creates a debt owed to a state government. The state owes the federal government for collections made on participant claims and for penalties if erroneous payments are above certain tolerances. OFA officials said that they did not have any plans to seek recovery of overpayments through intercepting federal income tax refunds and that a statutory change would be required to permit this.

IRS officials told us that IRS had worked closely with the Congress to help design the offset provision in the Deficit Reduction Act of 1984 and that the agency supports the 2-year test being made of federal tax refund offsets. They said that in the past, IRS had found that implementing the offset was administratively feasible and the reimbursements it had received for making the offset covered the cost of the effort. However, IRS officials said that the agency's primary duty is to collect taxes and cautioned that offsetting tax refunds could interfere with tax collection efforts by giving persons a disincentive to have tax payments withheld or to file tax returns. They said that the offset's impact on voluntary tax compliance was being studied as part of the 2-year test. However, IRS officials acknowledged widespread support for offsetting federal tax refunds to collect debts owed the federal government and said that IRS will undertake all legislated debt collection actions.

State program officials for both programs at the five state offices we visited suggested the use of federal income tax refund offsets to improve collections of claims against former recipients. They said that such a collection provision would enable the use of tax refund offsets in all states and not just those with state income taxes and legislative authority to offset the tax refunds. They also pointed out that currently the states and county offices must take all the actions to collect overpayments even though the recoveries are shared with the federal government. They said the use of federal income tax refund offsets would enable the federal government to share the burden of collecting overpayments and could substantially increase the overall effectiveness of collection operations.

Conclusions

Legislative changes that authorized the use of additional collection techniques and provided financial incentives to collect on claims have prompted some states to expand their efforts to recover overpayments made to former recipients of food stamp and/or AFDC benefits. Offices that have used additional collection techniques, especially offset of tax refunds, have found them to be effective in collecting from former program participants. However, because some states make little or no use of additional collection methods or are not authorized to use methods such as the interception of state tax refunds, the collection of overpayments from former participants is still limited.

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In our 1983 report⁶ on the need for greater efforts to recover the cost of food stamps obtained through errors or fraud, we recommended that the Congress amend the Food Stamp Act to require states to recover overpayments by taking appropriate action under state law against the income or resources of former participants who are not making satisfactory repayments. The Congress recently adopted our recommendation by including such a provision in the Food Security Act of 1985.

The use of federal income tax refund offsets could help in recovering overpayments made to former program participants, but OFA has concluded that AFDC overpayment claims are not subject to the offset authority under the Deficit Reduction Act. We believe that the use of federal income tax refund offsets has the potential for improving collections, but uncertainties still exist. For example, the cost-effectiveness—the overall improvement in collections—to the federal and state programs and the financial impact on former recipients of using this collection procedure for food stamp and AFDC overpayment claims is unknown and should be determined. However, given the success the two states we visited had and the large remaining uncollected claims from former recipients, we believe the potential improvement in collections warrants consideration by the Congress for specifically authorizing the use of such offsets for the Food Stamp and AFDC Programs on a trial basis and continued use if it proves to be a cost-beneficial collection method.

**Matter for
Consideration by the
Congress**

We believe that if the 2-year test of tax refund offsets specified by the Deficit Reduction Act of 1984 proves that such offsets are feasible, the Congress should consider specifically authorizing states to submit unpaid claims against former AFDC and food stamp recipients for collection using offsets of federal income tax refunds through procedures similar to those employed under the Deficit Reduction Act. To initially test the cost-effectiveness of the procedure, states should be allowed to use the procedure, on a voluntary basis, closely monitored by the responsible federal program agencies to ensure that adequate data are developed to evaluate the feasibility and cost-effectiveness of using it on a programwide basis.

⁶See footnote 5, ch. 1.

Agencies' and States' Comments and Our Evaluation

In commenting on a draft of this report, USDA and HHS did not specifically comment on our matter for consideration by the Congress. The five states that commented generally agreed that more use should be made of additional techniques to collect from former participants. Oregon's Department of Human Resources said that for several years, Oregon has successfully used the interception of state tax refunds to collect AFDC and food stamp overpayments. It believes that federal tax refund interception makes financial sense and should be used to collect overpayments.

Appendix I

Summary of AFDC and Food Stamps Claims Sampled

Table I.1: Summary of AFDC Claims
Sampled

	Alabama	Arkansas	Indiana	Kentucky
Recoupment claims				
Months in universe	8	2	2	3
Universe number of claims	96	125	66	70
Total claims sampled	96	87	66	70
Recoupment claims sampled	25	25	39	30
Nonrecoupment claims				
Months in universe	8	1	2	3
Universe number of claims	96	70	66	70
Total claims sampled	50	50	66	70
Nonrecoupment claims sampled	25	37	27	40

Appendix I
Summary of AFDC and Food Stamp
Claims Sampled

New Jersey	Nevada	North Carolina	Ohio	Oklahoma	Oregon	Texas	Total
1	2	2	1	1	1	1	
294	104	60	86	218	767	475	2,361
41	65	59	66	72	65	50	737
34	25	25	29	25	25	25	307
1	1	1	1	1	1	1	
294	40	27	86	218	767	475	2,209
41	40	27	66	50	50	50	560
7	21	17	37	34	31	25	301

Appendix I
Summary of AFDC and Food Stamp
Claims Sampled

Table I.2: Summary of Food Stamp
Claims Sampled

	Alabama	Arkansas	Indiana	Kentucky
Recoupment claims				
Months in universe	3	1	1	5
Universe number of claims	116	378	139	46
Total claims sampled	109	101	47	46
Recoupment claims sampled	25	25	27	25
Nonrecoupment claims				
Months in universe	1	1	1	5
Universe number of claims	39	378	139	46
Total claims sampled	39	50	47	46
Nonrecoupment claims sampled	36	37	20	21

Appendix I
Summary of AFDC and Food Stamp
Claims Sampled

New Jersey	Nevada	North Carolina	Ohio	Oklahoma	Oregon	Texas	Total
1	1	5	1	1	1	1	
111	103	132	73	305	2,898	3,007	7,308
52	96	126	52	82	69	50	830
29	26	25	18	25	25	25	275
1	1	1	1	1	1	1	
111	18	24	73	305	2,898	3,007	7,038
52	18	24	52	60	50	50	488
23	13	20	34	43	31	25	303

Appendix II

Precision of Sample Estimates and Computation of Potential Collection Increases

The precision of our sample estimates and the computation of potential increased collections cited in this report are discussed in detail in the following sections.

Precision of Sample Estimates

By design, the state and local offices we selected for review differed in ways that had potential to influence the manner and efficiency of recoupment claim processing. These differences included but were not limited to (1) the total number of claims (of all types) established each month, (2) the proportion of claims subject to recoupment procedures and the variability in this proportion from month to month, (3) the procedures for organizing recoupment claims and initiating actions, and (4) the recency and extent to which recoupment procedures had been implemented. These considerations led us to adopt a case study approach for our review.

At each office we visited, our goal was to examine a sample of 100 claims from among those established during one of the earliest months in which the food stamp recoupment regulations were fully implemented. If fewer than 100 claims had been established, we reviewed all claims. In examining recovery actions through recoupment, we wanted to examine at least 25 food stamp and 25 AFDC nonfraud claims for which recoveries were or could have been made through recoupment. If our initial sample did not give us at least 25 recoupable claims for each program, we selected additional cases in the sample month or, if necessary, selected cases from other months until we had the minimum number of 25 claims. In all, we reviewed 275 food stamp and 307 AFDC recoupment cases.

In addition, we reviewed 303 food stamp and 301 AFDC cases that were not subject to recoupment when the claim was established. These cases, analyzed separately from recoupable claims, were used to identify instances where a participant left the program with an outstanding claim and later reentered the program. See appendix I for sample and universe sizes and the following pages for a discussion of the precision of the major estimates made from the sample data. The results of this sample are representative of the 11 locations we visited for the period of our review but are not projectable to the entire Food Stamp or AFDC Programs.

For the sampled claims at each of the locations in the 11 states we visited, we collected data on actual and potential repayments for the first 6

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Precision of Sample Estimates and
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months after claim establishment. When estimates (or measures of precision) are reported for combinations of locations, they are based on standard statistical formulas for stratified samples with simple random sampling within each strata (as appropriate for the sampling plan used).

Because we reviewed only a sample of the claims established, the sample estimates may vary from the true values in the population of claims from which the samples were drawn. Table II.1 gives a measure of the precision of our sample estimates of the amount of potential increased claims collections during the first 6 months after claim establishment for claims established in the sampled month(s) at the locations visited.

Table II.1: Precision of GAO Estimates of Potential Increased Collections

Recommended action	Food Stamp Program		AFDC Program	
	Sample estimate	Sampling error at 80-percent level of confidence	Sample estimate	Sampling error at 80-percent level of confidence
Require recoupment on agency-error cases	\$20,076	\$ ± 11,585		
Use recoupment instead of installment payments	3,377	± 3,130	\$710	± 121
Recoup overpayments while cases are pending administrative hearings	23,314*	± 5,269		
Give priority to processing claims against participants still in the programs	8,289	± 1,474	10,267	± 1,044
Change the time allowed for participants to respond to debt notification letters to 10 days	22,769	± 5,567		
Improve systems to flag and recoup from participants reentering the programs with outstanding claim balances	585	± 196	434	± 127

*Includes estimates from sample of 50 claims selected from record of 502 administrative hearings held in Texas in January 1984.

Computation of Potential Increased Collections

The potential increased collections cited in this report were estimated as follows.

1. The per claim average increased collection amount (total increased collections identified divided by number of cases reviewed) was multiplied by the number of claims established during the month for which increased collections were being calculated.

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Precision of Sample Estimates and
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2. Since collections in a given month result not only from claims established in that month but also from claims established in prior months, the procedure described in step 1 was repeated for each of the 5 months preceding the month for which the initial calculating was being done.

3. The figures derived in steps 1 and 2 were added to form the estimate for the 6-month period.

These estimates show the potential magnitude of increased collections that could have resulted from changes at each office reviewed but were not intended to provide a precise measurement of the effect of recommended changes. Many factors can influence the actual average potential collections increase per claim for claims established in a given month. These include (1) the proportion of claims established that have recoupment potential (recoupment cannot be used for those who have already left the program or for food stamp claims caused by agency error unless a participant agrees to it), (2) the average potential increased collections for those cases where use of recoupment is possible, and (3) the average amount of collections actually made under the existing system.

The amounts presented in this report as potential increased collections from timelier use of recoupment during the period covered by our review represent the maximum additional collections that could have been made through greater use of recoupment in the locations visited for the time periods specified. This magnitude of collections could have been realized when participants left the Food Stamp and AFDC Programs without fully paying off their claims. However, we could not tell how long the participants whose claims we reviewed would have remained in the programs. If all the participants stayed in the programs long enough to repay the entire amount of their overpayment claims, the benefit of earlier collections would have been limited to the amount of interest that might have been earned on those collections. This would be the minimum amount of benefits obtained from timelier collection actions. However, as explained in this report, data we obtained indicate that on average, it takes longer to complete recoupment on claims than the average length of time participants are in the programs at any one time.

Our estimates of potential increased collections resulting from improved identification of former participants do not include any potential increases in collections from participants who reentered the programs after being off the rolls for more than 6 months. Likewise, possible increased collections from individuals who were on the rolls for 2

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Precision of Sample Estimates and
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months after the claim was established but who left the programs without repaying the total claim and then later reentered the programs were not included in our estimates. To the extent that collections could be increased from these two types of former participants, our estimates may be understated.

Regarding our point on processing claims on current participants first and subsequently pursuing collections from former participants as time allows, we would expect that in any given month, collections from current participants would increase and collections from former participants would decrease. However, our analysis took into account only the potential increased collections from current participants. We did not subtract any potential decrease in collections that could result from reducing the effort to collect from former participants. Thus, our estimates of increased collections could be overstated.

On the other hand, however, our estimates could be understated to the extent that priority processing of current-participant claims could gradually reduce current-participant claims backlogs and eventually eliminate them. If such a backlog is to be reduced, all claims against current participants established during each month, as well as some current participant claims established in prior months and included in the backlog, would have to be processed that month. Our estimates count increased collections from processing claims established in the current month but do not include potential collections from processing current-participant claims from the backlog. As a result, our estimates could be understated.

Appendix III

Advance Comments From the States of Indiana, New Jersey, Texas, Oregon, and Nevada

Note: GAO comments supplementing those in the report appear at the end of this appendix.

See comment 1.



STATE OF INDIANA

ROBERT D. ORR - Governor

DEPARTMENT OF PUBLIC WELFARE

100 NORTH SENATE AVENUE - ROOM 701

INDIANAPOLIS, INDIANA

DONALD L. BLINZINGER
Administrator

November 26, 1985

Mr. Barry T. Hill
United States General Accounting Office
Room 1369, South Agriculture Building
14th and Independence Avenue, S. W.
Washington, D. C. 20250

Dear Mr. Hill:

We have received and reviewed your proposed report entitled BENEFIT OVERPAYMENTS: LEGISLATIVE AND REGULATORY CHANGE COULD INCREASE RECOVERIES IN THE FOOD STAMP AND AFDC PROGRAMS.

Recently, I directed my staff to evaluate the problem of delinquent claims in both the AFDC and Food Stamp Programs and recommend strategies to increase financial recovery. Enclosed for your information is specific information on program claims in Indiana and strategies that are being evaluated for use at this time. The proposal for the tax intercept of State refunds has already been accepted and will be used during the filing of 1985 State tax returns.

Also enclosed is a copy of a letter sent to Indiana's United States Congressional delegation concerning access to IRS files for identification of potentially fraudulent program recipients and tax intercept of Federal refunds.

The information you have provided concerning existing obstacles to increased financial recovery of program claims overwhelmingly reflects the limitations State administrators individually are attempting to overcome. It is refreshing to see the active participation of Federal and State agencies in protecting the taxpayers' money.

We strongly support each and every recommendation that you have proposed and must congratulate you on a job well done.

If we may be of any further assistance in this matter, please feel free to contact our agency.

Sincerely,

Donald L. Blinzinger

Enclosures (2)

AN EQUAL OPPORTUNITY EMPLOYER

Appendix III
Advance Comments From the States of
Indiana, New Jersey, Texas, Oregon,
and Nevada

See comment 1.



State of New Jersey
DEPARTMENT OF HUMAN SERVICES
DIVISION OF PUBLIC WELFARE

ALFRED HARRIS
GOVERNOR

ADDRESS ONLY TO:
CN 714
TREASURY, NEW JERSEY 08625

November 27, 1985

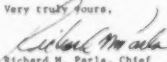
Brian P. Crowley
Senior Associate Director
U.S. General Accounting Office
Room 1369
South Agriculture Building
14th and Independence Avenue, S.W.
Washington, D.C. 20250

Dear Mr. Crowley:

Thank you for the opportunity to review Benefit Overpayments: Legislations and Regulatory Changes could Increase Recoveries in the Food Stamp and AFDC Programs.

The suggestions made in the report are well thought out and would definitely enhance recovery programs.

Per your request, our copy of the report is herein being returned.

Very truly yours,

Richard M. Parla, Chief
Bureau of Local Operations

RDP:HGic5

New Jersey Is An Equal Opportunity Employer

Appendix III
Advance Comments From the States of
Indiana, New Jersey, Texas, Oregon,
and Nevada

See comment 1.

Texas Department of Human Services

John H. Winans Human Services Center • 701 West 51st Street
Mailing Address: P.O. Box 2960 • Austin, Texas 78769

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Dallas

November 25, 1985

Mr. Brian P. Crowley
Senior Associate Director
United States General Accounting Office
Room 1369, South Agriculture Building
14th and Independence Avenue, SW
Washington, D.C. 20250

Dear Mr. Crowley:

Thank you for this opportunity to review a draft of your report, Benefit Overpayments: Legislative and Regulatory Changes Could Increase Recoveries in the Food Stamp and AFDC Programs.

With a single exception, we support the findings and recommendations contained in your draft. In particular, we strongly support the following recommendations:

1. Recoupment should be required for overpayments caused by agency errors;
2. States should not be required to offer food stamp participants the option of paying in installments;
3. Time allowed for responding to debt notification letters should be shortened; and
4. More use should be made of additional techniques to collect from former participants.

We cannot agree with you that collection action should be started on claims against participants awaiting administrative disqualification hearings. In Texas we offer these recipients an opportunity to waive their attendance at the administrative hearings, and we negotiate payback agreements with those who do so. We estimate that about 50 percent do not waive attendance, and we believe these individuals clearly wish to have a hearing of their positions before an objective third party. To begin collection action against these persons prior to their hearings appears to us to be a denial of their right to due process.

An Equal Opportunity Employer

Appendix III
Advance Comments From the States of
Indiana, New Jersey, Texas, Oregon,
and Nevada

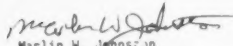
Mr. Brian P. Crowley, Senior Associate Director
Page 2
November 25, 1985

Second, it would be administratively burdensome to begin non-fraud recovery and then have to amend the status to fraud recovery following the hearing, as would be the situation in approximately 93 percent of these cases. These 6,000 claims each year would have to be converted from 25 percent state retention to 50 percent state retention, and the recoupment from ten to 20 percent of the allotments.

Finally, we believe your draft is misleading in that it indicates that Texas is willing to reconsider our position on this issue. For the reasons cited above, we are not. I would appreciate your having the paragraph on page 37 which references the Texas response to this issue deleted from the final version of this otherwise excellent report.

Please contact me if you have any questions about this response.

Sincerely,


Marlin W. Johnson

Appendix III
Advance Comments From the States of
Indiana, New Jersey, Texas, Oregon,
and Nevada

See comment 1.



Department of Human Resources
ADULT AND FAMILY SERVICES DIVISION

PUBLIC SERVICE BUILDING, SALEM, OREGON 97310

December 2, 1985

Brian P. Crowley
Senior Associate Director
United States General Accounting Office
Washington, DC 20548

Dear Mr. Crowley:

Thank you for sending me the draft copy of your proposed report, Benefit Overpayments: Legislative and Regulatory Changes Could Increase Recoveries in the Food Stamp and AFDC Programs. I have taken the liberty of sharing this draft with appropriate members of my staff and we do have several comments we would like to share with you. Our comments are as follows:

1. The 30-day delay in food stamp recoupment: Oregon agrees that this delay is unnecessary and is inconsistent with AFDC collection standards. A 10-day response time is more effective and would make food stamp collection standards consistent with AFDC collection standards. We favor the 10-day period.
2. Use of federal income tax refunds: For several years, Oregon has successfully used the interception of state tax refunds to collect AFDC and Food Stamp overpayments. We believe that federal tax refund interception makes financial sense and should be utilized to collect overpayments.
3. Recovery of Food Stamp Agency errors by mandatory recoupment: Currently, states retain no monies recovered on agency error cases. States retain 25 percent of recoveries on inadvertent household error cases and 50 percent on intentional program violation cases. Also, under current policy, recovery on agency error cases is voluntary for the client.

We believe recovery on agency error cases should remain voluntary for the client. However, if recovery on such cases is to be mandatory, states should be allowed a 25 percent retention rate equal to that for inadvertent household error cases.

AN EQUAL OPPORTUNITY EMPLOYER

Appendix III
Advance Comments From the States of
Indiana, New Jersey, Texas, Oregon,
and Nevada

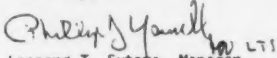
Brian P. Crowley
December 2, 1985
Page 2

4. Allowing installment payments in lieu of recoupments: This action delays overpayment recoveries. We believe that on inadvertent error or intentional program violation cases, installment payments (or the return of unused food stamp coupons) should be allowed in addition to mandatory recoupment. Too often clients become delinquent on installment repayments while recovery could be regular under monthly recoupment.

Bill Cockrell, Manager of our Investigation/Overpayment Recovery Unit, is knowledgeable about these issues and can answer any questions you or your staff may have regarding our comments. You can contact Mr. Cockrell by mail at the AFS Investigation/Overpayment Recovery Unit, P.O. Box 14150, Salem, Oregon 97309, or by telephone at 378-4910.

Again, thank you for giving us an opportunity to comment on your draft report.

Sincerely,


Leonard T. Sytsma, Manager
Recovery Services Section

LTS:rvb

3259A

Appendix III
Advance Comments From the States of
Indiana, New Jersey, Texas, Oregon,
and Nevada

RICHARD H. BRYAN
Governor

STATE OF NEVADA

JERRY GRIEPPENTROG
Director



DEPARTMENT OF HUMAN RESOURCES
WELFARE DIVISION
251 Jundi Drive
Carson City, Nevada 89710-0001
(702) 885-4770

December 13, 1985

U.S. General Accounting Office
Room 1369 South Agriculture Building
14th and Independence Avenue, S.W.
Washington, D.C. 20250

Gentlemen:

Please excuse the delay in responding to Mr. Crowley's letter of November 13, 1985. He requested comments by November 18, 1985, on your proposed report entitled Benefit Overpayments: Legislative and Regulatory Changes Could Increase Recoveries in the Food Stamp and WFC Programs. The Nevada State Welfare Division administrative offices recently moved from 251 Jeanell Drive to 2527 North Carson Street, Carson City. The disruption of the move caused mail delivery to be temporarily delayed.

The report has been reviewed and we are in concurrence with changes you recommended to help increase overpayment recoveries. We particularly appreciate your recommendations concerning recoupment of food stamp overpayments caused by agency error and allowing states to use a 10-day (rather than 30-day) response time to payment demand letters. As you may be aware, Nevada has already implemented the recommended changes directed to the Secretaries of Agriculture and Health and Human Services (pages 39 and 40 of the report).

Thank you for the opportunity to comment. We are looking forward to learning the outcome of your report.

Sincerely,

Linda A. Ryan
Administrator

LAR:GS:cm

cc: Michael J. Willden, Chief, Eligibility & Payments

See comment 1.

Now on p. 43.

Appendix III
Advance Comments From the States of
Indiana, New Jersey, Texas, Oregon,
and Nevada

The following are States' comments and GAO's evaluation.

GAO Comments

1. Discussed on pages 28, 43, and 58 of the report.

Appendix IV

Advance Comments From the Food and Nutrition Service, Department of Agriculture

Note: GAO comments supplementing those in the report appear at the end of this appendix.

See comment 1.



United States
Department of
Agriculture

Food and
Nutrition
Service

3101 Park Center Drive
Alexandria, VA 22302

December 16, 1985

Mr. J. Dexter Peach, Director
Resources, Community, and
Economic Development Division
U. S. General Accounting Office
441 G Street, N. W., Room 4915
Washington, D. C. 20548

Dear Mr. Peach:

This is in response to the General Accounting Office (GAO) proposed report entitled, Benefit Overpayments: Legislative and Regulation Changes Could Increase Recoveries In The Food Stamp and AFDC Programs.

We share the concerns expressed and agree that every reasonable effort should be made to recover amounts to which food stamp recipients were not entitled. Claims collection has been among the priorities for improving the Food Stamp Program management since 1983. This emphasis has produced a dramatic 131 percent increase in claims collections between Fiscal Years 1983 and 1985. We are continuing our focus on this area in Fiscal Year 1986, and look forward to further improvements.

Our approach has concentrated upon sharing the techniques that work with States that need improvement. We have provided funds for State officials to travel to other States with successful systems. We have made claims collection the topic of publications and given it high priority in National and regional meetings. We have established six expert teams across the Nation, made up of individuals from the Food and Nutrition Service, States, counties and other offices, to advise States on how to improve claims collection and other anti-fraud activities. Those States with the best performance have been given awards that received media attention.

We also made claims collection a priority area in our monitoring efforts. In Fiscal Years 1984/1985, and now again in 1986, we asked our regional offices to concentrate their efforts on claims collection when reviewing their States' operations. When necessary, we have also taken a firm stand with States and pushed compliance with the recoupment regulations.

While we agree with GAO that there is opportunity for further streamlining the recovery process, the results of our efforts have been most encouraging. In Fiscal Year 1985, we expect to collect about \$43,000,000 compared to only \$18,600,000 in Fiscal Year 1983. We expect this trend to continue in 1986 and beyond and believe that many of GAO's recommendations can contribute to our efforts.

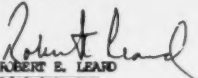
Appendix IV
Advance Comments From the Food and
Nutrition Service, Department of Agriculture

Mr. J. Dexter Peach

2

We believe that the proposed report presents an even-handed view of its subject and appreciate the opportunity to comment. Our specific comments on GAO's recommendations are enclosed.

Sincerely,


ROBERT E. LEARD
Administrator

Enclosure

Appendix IV
Advance Comments From the Food and
Nutrition Service, Department of Agriculture

The Department of Agriculture's Comments on the GAO Direct Report, "Benefit Overpayments: Legislative and Regulatory Changes Could Increase Recoveries in the Food Stamp and AFDC Programs"

(General)

Several of the recommendations in the report are proposed legislative changes directed to Congress. Some of these are even now under consideration by Senate and House conferees. Other recommendations would require changes to the Food and Nutrition Service's (FNS) regulations governing the administration of the Program. Comments on specific recommendations follow:

Recommendation: Amend the Food Stamp Act of 1977 to authorize States to pursue mandatory recoupment on overpayments caused by State agency error.

Comment: Mandatory recoupment of food stamp recipient claims resulting from State agency error is a provision of the Senate's Reconciliation Bill S3170, and is now being examined in conference. The Department supported this provision before the Senate Agriculture Committee during hearings. The Department agrees with GAO that this provision would enhance State efforts to collect these types of recipient claims, but believes that States should be allowed to decide when recoupment should be used.

Recommendation: Amend the Food Stamp Act of 1977 to eliminate the requirement that recipients be offered the option of making installment payments in recovering overpayments.

Comment: GAO makes a similar recommendation to the Secretary of Health and Human Services regarding the AFDC Program. FNS and the Office of Family Assistance (OFA) are currently working to make the Food Stamp and the AFDC Program rules compatible wherever possible. While we are now examining regulatory issues, we will be giving legislative issues top priority next year, and this recommendation will be closely examined for inclusion with our legislative proposals.

The Agency supports the most expedient, effective recovery practical. Toward this end, we support this recommendation. State agencies, rather than recipients, should have the option of collecting through installment payments from both former and current recipients.

Recommendation: Amend the Food Stamp Act of 1977 to require a maximum 10-day period for participants to respond to payment demand letters.

Comment: This inconsistency between AFDC and Food Stamp Program requirements is similarly scheduled for consideration in developing future legislative proposals.

Recommendation: Require priority processing of claims involving current participants by establishing time-period criteria that would require prompt collection action.

Appendix IV
Advance Comments From the Food and
Nutrition Service, Department of Agriculture

Comment: The Agency supports expediting claims involving current recipients. As part of the interagency effort to more closely align AFDC and Food Stamp Program regulations, FNS is proposing to adopt AFDC time frames for acting on claims. A State will be required to take one of three actions by the end of the quarter following the quarter in which the overpayment is first identified. The State must either: recover the overpayment; initiate action to locate and/or recover from a former recipient; or execute a monthly recovery agreement from recipient's grant or income/resources. Any further tightening of these processing requirements would similarly be coordinated with OPA.

Recommendation: Evaluate the operations of States' systems used to start collection action on cases involving former participants with outstanding claims who reenter the Program, identify reasons why such cases are not always identified at the time of application, and assist the States to improve their operations to remedy such problems.

Comment: We agree that all States should ensure that their systems identify applicants with unpaid claims. Many States have this capability and we are encouraging other States to include it in their systems. FNS continues to take action to promote this aspect of recovering overpayments. We now have a publication in clearance that is intended to provide States with technical assistance with claims systems in general. A key component discussed in the publication is the check proposed by GAO. We are also emphasizing claims as a priority item this year and, as our regional offices examine States, problems will be identified and appropriate corrective actions encouraged. Regions have been alerted to work with States to assure that States' systems provide for identifying these cases.

Recommendation: Require States to initiate collection action on food stamp claims involving participants awaiting administrative disqualification hearings (ADH).

Comment: A regulatory change is not necessary to speed the collection of claims from recipients awaiting a disqualification hearing. States have this option under current rules. States are best qualified to determine when collection of these claims prior to the ADH is feasible. We will continue to remind States of this option and encourage them to use it where appropriate.

Appendix IV
Advance Comments From the Food and
Nutrition Service, Department of Agriculture

The following are agency comments and GAO's evaluation on the Department of Agriculture.

GAO Comments

-
1. Discussed on pages 28, 43, and 58 of the report.

Appendix V

Advance Comments From the Office of Inspector General, Department of Health and Human Services

Note: GAO comments supplementing those in the report appear at the end of this appendix.

See comment 1.



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

Washington, D.C. 20201

DEC 27 1985

Mr. Richard L. Fogel
Director, Human Resources
Division
United States General
Accounting Office
Washington, D.C. 20548

Dear Mr. Fogel:

The Secretary asked that I respond to your request for the Department's comments on your draft report, "Benefit Overpayments: Legislative and Regulatory Changes Could Increase Recoveries in the Food Stamp and AFDC Programs." The enclosed comments represent the tentative position of the Department and are subject to reevaluation when the final version of this report is received.

We appreciate the opportunity to comment on this draft report before its publication.

Sincerely yours,

Richard P. Kusterow
Richard P. Kusterow
Inspector General

Enclosure

Appendix V
Advance Comments From the Office of
Inspector General, Department of Health and
Human Services

COMMENTS OF THE DEPARTMENT OF HEALTH AND HUMAN SERVICES ON
THE GENERAL ACCOUNTING OFFICE'S DRAFT REPORT, "BENEFIT
OVERPAYMENTS: LEGISLATIVE AND REGULATORY CHANGES COULD
INCREASE RECOVERIES IN THE FOOD STAMP AND AFDC PROGRAMS"

General Accounting Office (GAO) Recommendation

The Secretary of Health and Human Services direct the Administrator of the Office of Family Assistance (OFA) to revise the AFDC regulations to specify that recoupment be used, rather than offering the option of using installment payments, if the participant is receiving program benefits.

Department of Health and Human Services (HHS) Comment

We believe the intent of GAO's recommendation has merit. Section 402 (a) (22) of the Social Security Act provides that "...recovery will be made by repayment by the individual or by reducing the amount of future aid payable to the family...." We could clarify through regulation that if a recipient opts to repay all or part of the overpayment immediately, the State will accept that payment and establish a recoupment schedule for any balance due. We will consider making such a change in terms of a set of regulations we are currently formulating to promote more effective administration of the Aid to Families with Dependent Children (AFDC) program (Administrative Improvement Regulations).

GAO Recommendation

The Secretary of Health and Human Services direct the Administrator of OFA to:

- (1) require priority processing of claims involving current participants by establishing time-period criteria that would require prompt collection action on such claims; and
- (2) evaluate States' systems used to start collection actions on cases involving former participants with outstanding claims who reenter the program, identify reasons why such cases are not always identified at time of application and assist States to improve operations to remedy problems.

HHS Response

- (1) AFDC regulations do require prompt collection of benefit overpayments, specifying that States take action to collect claims by the end of the quarter following the quarter in which the overpayment is discovered.

We concur with the intent of GAO's recommendation regarding priority processing of claims involving current recipients.

Appendix V
Advance Comments From the Office of
Inspector General, Department of Health and
Human Services

We believe that giving priority to claims involving current recipients is a sound administrative practice. We do not believe that it would be practical, however, to mandate such a procedural practice through regulation. However, we will issue an Action Transmittal which instructs the States on appropriate management practices for handling backlogs of overpayment claims.

(2) We concur with this recommendation and believe that it can best be addressed through the ongoing AFDC State financial management review process.

We are currently updating our Financial Operations Manual which prescribes the schedule, scope and content of AFDC financial management reviews which we conduct in the States. The update, to be distributed in January 1986, will require performance of a number of special financial operations reviews in each State, in addition to ongoing quarterly reviews.

One such special review will be devoted to State internal controls and overpayment recovery systems. Additionally, the Manual will require follow-up actions in instances when a review is conducted and deficiencies are found. All special reviews, including the one devoted to recovery of overpayments, are to be completed in each State within the next 3 years.

The reviews on States' recovery systems will address the particular issue which GAO raised about starting collection actions on former recipients with outstanding claims who reenter the program. We believe these reviews and the required follow-up actions will satisfy the intent of GAO's recommendation.

Appendix V
Advance Comments From the Office of
Inspector General, Department of Health and
Human Services

The following are agency comments and GAO's evaluation on the Department of Health and Human Services.

GAO Comments

1. Discussed on pages 28, 43, and 58 of the report.

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April 14, 1986

TO : House Committee on Agriculture
Attention: Lynn Gallagher

FROM : Joe Richardson
Education and Public Welfare Division

SUBJECT : Food Stamp Act Incentives for Improved State Administration

This responds to your request for a listing of various "incentives" in the Food Stamp Act promoting improved State administration of the food stamp program. Included in this listing are financial incentives, provisions that simplify aspects of administration by limiting the application of certain Federal rules (e.g., categorical eligibility) or allowing States flexibility in administration (e.g., verification rules), and features of the Act that offer States Federal administrative assistance (e.g., disaster task force provisions).

FINANCIAL INCENTIVES

- o Provision of a 50 percent Federal share of State and local administrative expenses. (Sec. 16(a).)
- o Authority to pay administrative expenses as found necessary (in excess of the normal 50-percent share) for administration on Indian reservations. (Sec. 16(a).)
- o Provision of a 75 percent Federal share of State and local expenses related to the pursuit of fraud through investigations and prosecutions. (Sec. 16(a).)
- o Authority for States to retain 50 percent of amounts collected in cases of fraud. (Sec. 16(a).)

CRS-2

- o Authority for States to retain 25 percent of amounts collected in cases of non-fraudulent overissuance of benefits. (Sec. 16(a).) 1/
- o Provision of a 60 percent Federal share of State and local administrative expenses where the State has error rates, as measured by the quality control system, below certain tolerance levels. (Sec. 16(c).)
- o Authority for fiscal sanctions against States with error rates, as measured by the quality control system, above certain tolerance levels. (Sec. 16(d).)
- o Provision of a 75 percent Federal share of State and local costs for computerization. (Sec. 16(g).)
- o Provision of a Federal grant, plus 50 percent of costs incurred above the grant level, for administration of employment and training programs. (Sec. 16(h).)

PROGRAM SIMPLIFICATION AND ADMINISTRATIVE FLEXIBILITY

- o Provision for categorical food stamp eligibility for AFDC and SSI recipients. (Sec. 5(a).)
- o Authority for States to use "standard utility allowances" in administering the excess shelter expense deduction provisions of the food stamp program. (Sec. 5(e).)
- o Authority to disregard, at State option, the first \$50 a month of child support payments in order to conform with such a disregard in the AFDC program. (Sec. 5(d).) 2/
- o Provisions for State flexibility in calculating income retrospectively or prospectively, and in requiring monthly reporting of recipients. (Sec. 5(f) and Sec. 6(c).)
- o Authority for State flexibility in procedures to use in proceeding against fraudulent households. (Sec. 6(b).)
- o Authority for State flexibility in the design of employment and training programs. (Sec. 6(d).)

1/ Amounts collected in cases of State-caused error are not included in this authority.

2/ In order to exercise this option, States must pay the food stamp benefit cost of doing so.

CRS-3

- o Provision of a State option for "staggered issuance" of benefits throughout the month. (Sec. 7(h).)
- o Provision of a State/local option to use simplified application and standardized benefit procedures with regard to recipients of other forms of assistance. (Sec. 8(e).) 3/
- o Limits on prior Federal approval of State program instructions and other materials. (Sec. 11(d).)
- o Authority for State flexibility as to which eligibility factors to verify beyond required factors. (Sec. 11(e).)
- o Authority for States to use application forms combining food stamps and cash aid programs, and to use cash aid program information for certifying food stamp eligibility. (Sec. 11(i).)
- o Authority for the use of "fee agents" to assist in program administration in Alaska. (Sec. 11(m).)
- o Provisions for State flexibility in developing comprehensive computerization plans in response to the Federal "model" plan. (Sec. 11(o).)
- o Authority to "intercept" unemployment compensation benefits in collecting overissued food stamp aid. (Sec. 13(c).)
- o General pilot project authority to test better administrative methods. (Sec. 17.)
- o The Puerto Rico nutritional assistance block grant. (Sec. 19.)

FEDERAL ADMINISTRATIVE ASSISTANCE

- o Provision for a Federal food stamp disaster task force to assist States during disasters. (Sec. 5(h).)
- o Authority for Federal technical assistance to Indian reservations administering the food stamp program. (Sec. 11(d).)

3/ This option is allowed in a limited number of States and localities.

CRS-4

- o Authority to use post offices for issuance of food stamps. (Sec. 11(k).)
- o Provision for development of a Federal model plan for comprehensive computerization. (Sec. 11(o).)
- o Provisions making income and asset information, collected for income tax, social security, SSI, and unemployment compensation purposes, available to States for verification and collection purposes. 4/

4/ Sec. 16(e) of the Food Stamp Act in the case of SSI information. Sec. 6103(I)(7) of the Internal Revenue Code in the case of income tax and social security information. Sec. 3(b) of the Wagner-Peyser Act in the case of unemployment compensation information.

Berkeley, California 94720

April 10, 1986

Congressman Leon E. Panetta
Chairman, Subcommittee on Domestic Marketing,
Consumer Relations and Nutrition
U. S. House of Representatives
1301 Longworth
Washington, D.C. 20515

Dear Congressman Panetta,

I am writing this letter to support the continuation of the Expanded Food and Nutrition Education Program (EFNEP). Over the last two years we have been very aware of your work and support of programs aimed at helping low-income families. We heartily endorse your efforts and applaud your work in the alleviation of hunger.

As Coordinator of California's EFNEP Program, I want to update you on our recent successes and achievements. As you know the mission of EFNEP is to improve the nutritional well-being of low-income families, especially those with young children. In California there are over 3,264,000 low-income Californians, many of them facing a chronic and often acute crisis of not having sufficient food for their families. Over the last 16 years, California's EFNEP program has assisted more than 760,000 low-income Californians. EFNEP's target populations are families with young children from diverse ethnic and cultural backgrounds. The impact of EFNEP on the lives of these families has been very significant. California EFNEP has documented its results by implementing an experimentally controlled research study (The California EFNEP Evaluation Study, Agricultural Sciences Publications, 1986). Statistically significant results from this study show improvements in the diet of 40% of the graduated families. In addition, these families are eating the recommended levels of milk, fruits and vegetables. These significant results were maintained over time as shown by a longitudinal research study that has been submitted to the American Dietetics Association Conference. The attached report and abstract highlights these results.

Our latest study on the EFNEP graduate focuses on the impact of EFNEP on food buying and budgeting. Results from a recent study by Dr. Eunice Romero-Gwynn, Community Nutrition Specialist, show that 87% of the participants studied had improved diets (without increasing the cost of these diets). In addition, 58.6% of recently graduated EFNEP participants are now saving money after receiving EFNEP. The savings ranged from 11 - 54% of money they spent on food before receiving EFNEP. These results also document that EFNEP helps families to be able to have good nutrition on very limited resources.

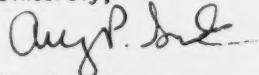
Congressman Panetta

-2-

April 10, 1986

In conclusion EFNEP has made significant improvements in the diet and eating habits of the people it serves. Most of the families we reach are unaware of existing services. This program is unique because it offers both nutrition education and supports families by introducing them to other services. We offer them up-to-date University-based scientific research and implement the program through Cooperative Extension's county-wide delivery system. We are committed to helping families ensure their own nutrition adequacy both in the short and long term.

Sincerely,



Amy P. Block
Adult EFNEP Coordinator
Cooperative Extension
2120 University, 5th Floor
Berkeley, CA 94720

(415) 644-4377

AB:ac

Attachment

cc: Susan Laughlin

California's
Expanded Food and Nutrition Education Program

Adult EFNEP

California has over 816,400 (1980 Census) low-income families, many of them facing a chronic crisis of not having sufficient food for their families. The California Expanded Food and Nutrition Education Program (EFNEP), as part of the University of California's Cooperative Extension Service, has been meeting the food and nutrition needs of these families since 1969. EFNEP's goal is to improve the dietary well-being of families with young children. Major accomplishments of California EFNEP include:

- EFNEP has documented its results by implementing an experimentally controlled research study (The California EFNEP Evaluation Study, Agricultural Science Publications, to be released March 1986). The results listed here are statistically significant.
- EFNEP's target populations are families with young children from diverse ethnic and cultural backgrounds. 1985 data from federal reports show that California EFNEP served 54% Hispanic, 15% Black, 16% White, 19% Asian and 1% American Indian families.
- EFNEP has reached over 760,000 Californians by helping them to improve their diet and to practice good cooking skills, economical food shopping and preparation and food safety.
 - Of the families reached, 44% (334,400 Californians) have improved their diets.
 - Of the families reached, 40% (304,000 Californians) have improved their consumption of milk and milk products to the recommended level.
 - Of the families reached, 42% (319,200 Californians) have improved their consumption of fruit and vegetables to the recommended level.
 - Of the families reached, 100% (760,000 Californians) have improved their consumption of vitamin A.
 - Of the families reached, 57% (433,200 Californians) have improved their consumption of vitamin C.
 - Of the families reached, 65% (494,000 Californians) have improved their cooking skills.
 - Of the families reached, 47% (357,200 Californians) have improved their nutrition knowledge.
 - Of the families reached, 16% (121,600 Californians) have improved their skills in food planning, selection, buying and economical food preparation.

- EFNEP has documented that these results are maintained over time by doing a follow-up study (The California EFNEP Evaluation Study - Part II. Longitudinal Results after 3 years of EFNEP, publication in preparation).
- EFNEP has researched Hunger in California. Data from studies in 2 counties have shown that 66% of the clients presenting at emergency food sites were families with young children.
- EFNEP has established relationships with local community agencies and organizations in six counties to provide on-site nutrition education. Research data shows that agency-taught participants have similar improvements as individually-taught participants. The cost, however, is much reduced using the agency-taught approach.

In conclusion, EFNEP is having a significant effect on the eating habits, food attitudes and nutrition-related knowledge and behavior of the people it serves in California. This effect is of great practical significance because it represents changes that bring the eating habits, skills, knowledge and attitudes of the participants up to the levels that have been found to be consistent with improved nutrition status.

ABSTRACT APPLICATION FORM

Abstracts must be submitted on the attached form by April 4, 1986. All accepted papers will be printed exactly as submitted. Please be sure to conform to the following guidelines in preparing your abstract.

Example

THE EFFECT OF PRE-OPERATIVE TOTAL PARENTERAL NUTRITION ON SURGERY OUTCOMES. M.T. Younathan, Ph.D., R.D., and C.C. Grimes, M.S., R.D., School of Home Economics, Louisiana State University, Baton Rouge, LA

The effect of pre-operative total parenteral nutrition (TPN) on length of hospitalization, morbidity and/or mortality was studied in a retrospective analysis of seventy

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- ☐ Clinical Nutrition Practice and Research
☐ Nutrition Practice Management
☒ Community Dietetics/ Nutrition Education/ Public Relations
☐ Food Management Practice and Research
☐ Dietetic Education and Training
☐ Wellness Programs/ Health Promotion

Mail original and 6 copies of the abstract to:

Fran Cowen, R.D.,
 Program Coordinator
 The American Dietetic Association
 430 North Michigan Avenue
 Chicago, IL 60611

CALIFORNIA EFNEP: A LONG-TERM FOLLOW-UP OF THE EFNEP EVALUATION STUDY. A.P. Block, Ph.D., A.M. Del Tredici, M.S., S.G. Laughlin, D.S.W., and C.L. Omelich, Ph.D., Cooperative Extension, University of California, Berkeley, CA

In previous publications we have reported the California EFNEP Evaluation Study (1979-1981) which showed that the eating habits of the people receiving EFNEP significantly improved after receiving EFNEP. In 1983, 2 to 3 years following the Evaluation Study, a follow-up investigation was made of the long-term effects of the program in 4 of the original 15 California counties studied. In this study, 73 EFNEP participants were studied using the 24-hour food recall (FR). Results of this analysis show that all of the improvements seen in the Evaluation Study were still present in the follow-up population. In the Evaluation Study EFNEP participants showed a significant improvement in total FR score, milk, protein, and fruit and vegetable consumption, as well as in variety, vitamin A-rich, and vitamin C-rich fruit and vegetables.

Six months after receiving EFNEP instruction, post test results were collected as part of the Evaluation Study. Longitudinal data were collected for this follow-up study 2 to 3 years after the post test results. The following numbers (number of servings) are for post test values, followed by longitudinal test data: Milk 1.6, 1.6; Protein 2.6, 2.9; Fruit and Vegetables 3.8, 4.4; Bread and Cereals 4.9, 5.2; Variety of Fruit and Vegetables 3.2, 3.8; Vitamin A-Rich Fruit and Vegetables 0.4, 0.8; Vitamin C-Rich Fruit and Vegetables 1.9, 2.3; Total FR Score (number of points, 0 to 100): 72, 80. None of these changes are significantly different ($p > .05$) showing that the benefits of EFNEP were retained over a 2 to 3 year period. The results of this Longitudinal Study strongly document the long-term effect of the EFNEP program. When the original positive changes of the Evaluation Study are taken with the findings of this follow-up study, EFNEP appears to successfully educate and motivate its participants to permanently improve their eating habits.

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KLICKITAT-SKAMANIA DEVELOPMENT COUNCIL

P. O. BOX 1580 - 1003 E. JEWETT BLVD.
WHITE SALMON, WASHINGTON 98672
509-493-2662

April 25, 1986

Sid Morrison
4th District, Washington
208 Cannon Office Bldg
Washington, D.C. 20515

Re: USDA Cutback in Washington State

Dear Congressman Morrison,

After some delay, I write to comment upon USDA having cutback USDA shipments to Washington state, based upon studies of market displacement done by FNS-USDA staff & contractors. The delay was caused as I spoke with State and federal officials about the bases for the cutback, reviewed their studies, and independently considered the matter.

At the outset, let me note that I and my Board appreciate your representation of and concern for farmers, and the delicate problems involved in programs such as these, where aid to one group may mean harm to another. It is to make such decisions that we elect Representatives with the intelligence, judgement, and caliber which we believe you have. Moreover, the concept of "displacement" makes sense, or rather a kind of sense.

However, our review of the studies and other bases for the USDA-FNS action do not show that they form an adequate basis for a conclusion that displacement has occurred or is occurring. If they are occurring, the judgement is so gross in application that we cannot accept that it should be applied to Washington or to our counties, where the needs of the poor are so great, as you well know.

We have noted and appreciate your participation with Representative Vento and others seeking release of cheese and dollars being wasted on storage and transport. The reliance of FNS Director Leard on displacement arguments is misplaced. I will briefly summarize why in this letter, and would be pleased to meet further with you or your staff on these matters.

Initially, I had some difficulty in determining just what FNS relied upon, as there were rumors of several studies. Finally it was clear that there was but one study, with several summaries floating around. That one study was done by Zellner and Traub, USDA Economic Research Service, in March 1985. I was informed that a new study was underway, and would be sent to me as soon as it was cleared. So...whatever information on displacement is being used is derived from that study.

The authors are candid in warning of the gross nature of their assumptions and statistics. In a cover letter to me dated March 10, 1986, Dr. Zellner's office reports that their coefficients cannot at all be interpreted in normal ways: to do so would require the conclusion that USDA cheese displaced all normal market sales of cheese, which of course did not occur. Hypothetically, Zellner deals with this variation by broadly considering the effect to be averaged. That brief discussion reveals the essential defect of the study. Like many economic studies, it is a pure model, with little real touch with the real world. It does not actually observe displacement, either nationally, or in any region, state, or portion of state. Regional economics as a science attempts to incorporate variants of transport, weather, local markets, and similar factors, which would make a national average--even if correct--not apply to significant portions of the real world. Food has always been a regional product, with significant regional costs which must be taken into account. The FNS study fails to consider such factors. Its "simplicity" is attained at the expense of the real world factors.

The report is also defective in its failure to analyse the market of food chain sellers as well as producers, and again for lacking specificity and regional/state focus in that area. If the poor who receive USDA product cannot buy, there will be no displacement. The displacement concept only applies to those already on the market and fully able to participate.

The study is a tissue of assumptions and projections based upon assumption piled upon assumption. TEFAP and other governmental food distribution programs have been in operation for sufficient time to have an actual study of actual behavior on a specific market, rather than a study of this nature. At the very least, several sample market areas could be assessed to determine actual impact.

When I first heard of displacement studies, I was keenly interested, and expected to find such a site or market region specific study. Instead, I found something so hypothetical and abstract as to be useless.

Finally, the study acts as if nothing else was going on in the economy or world, i.e. as if any displacement would necessarily be caused by the USDA product, rather than by unemployment, lack of money, changes in population or food habits (which historically change in depression times), changes in transport costs, tax changes, etc. The study does not consider even the possibility of other such vectors. It is, in the precise senses of the word, an unscientific study, which appears to have predetermined results, whether as a result of intent or of tunnel vision.

The decision to curtail food shipments to the poor was wrong, when based upon such a study. It becomes more wrong, when the cost of storage and transport within the storage system, and the effect upon the poor of non-receipt of needed foods are added in. The study failed to assess the economic impact of what USDA is now doing, impact which is clearer and more demonstrable than its study ever thought of being. Real dollars are being spent and wasted, real food withheld, real people left in need, while hypothetical dollars are saved in a world

which is clearly only one economist's flawed model.

We who work closely with the poor in food programs do not see significant displacement occur. Where it might occur, we would note that the poor family's dollars will still be spent on other necessities. A model which only looks at food is further unrealistic. On poverty level income or less, what doesn't go for food will go for energy, clothing, and other basics.

We ask that you not accept the FNS-USDA representation that they have a valid study which justifies a finding of displacement so as to allow the substantial food cutoff to Washington and other states which has occurred.

I am trained as a lawyer and historian, with some social science research skills. I have worked in foodbanking for several years, and in more than one area. I have reviewed the FNS study, talked to those in D.C. FNS and in Washington. This one study is simply not enough to justify the cutoff. Indeed, I doubt if it is enough to satisfy the legal requirement of Executive Order 12291, which requires an adequate measure of economic impact. *found information*

It would be appropriate for you and your committee to insist that FNS reverse its policy based on this study or, at the very least, obtain an fully independent assessment which takes into account the kinds of concerns and fuller picture which is discussed in this letter.

We appreciate whatever you can do on this matter, and ask that you keep us informed. If we can provide assistance, we would be pleased to do so. I cannot believe that the farmers approve of being placed, expecially without adequate justification, at conflict with the poor who need food.

Respectfully,

Alan L. Gallagher
Alan L. Gallagher
Executive Director

cc: Dan Spatz, The Enterprise
Mike Levenson, Wa. Commodity Program
Robert Leard, USDA-FNS

P.S. Because it appears the study may be legally defective and vulnerable to legal attack, perhaps the Vento group could either require FNS to demonstrate its adequacy, or initiate a lawsuit to invalidate the withholding of food. KS-DC does not presently have the resources for suit, but will initiate discussions with programs which might.

... was done by Zeiner and Traub, USDA Economic Research Service, in March 1985. I was informed that a new study was underway, and would be sent to me as soon as it was cleared. So... whatever information on displacement is being used is derived from that study.



**NATIONAL
FARMERS
UNION**

April 14, 1986

The Honorable Leon E. Panetta
Chairman
Subcommittee on Domestic Marketing,
Consumer Relations, and Nutrition
Committee on Agriculture
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

As the Subcommittee on Domestic Marketing, Consumer Relations, and Nutrition undertakes a review of the Administration's FY 1987 budget proposals for the Food Stamp Program, the Temporary Emergency Food Assistance Program and the Commodity Supplemental Food Program, I would like to take this opportunity to call to your attention National Farmers Union's position on these very important programs, especially our support for distribution of surplus commodities to those in need in this country.

We are particularly concerned with the Administration's decision to terminate the distribution of bulk cheese through the Temporary Emergency Food Assistance Program. We believe it is only prudent, from both a humanitarian standpoint and an economic standpoint, to utilize our stocks of dairy products, cheese particularly, to help meet the nutritional needs of Americans, while at the same time reducing the cost to the Federal government of storing those products.

Because of the strict eligibility requirements for participation in the surplus commodity distribution programs, we seriously doubt that any significant displacement of commercial sales has occurred. In fact, we would urge the Congress to direct the Secretary of Agriculture to use his authority to reinstate the distribution of bulk cheese through the various food distribution programs, as well as make the greatest use possible of other surplus commodities to meet the increasing needs of hungry people in this country.

Furthermore, we would urge your Subcommittee to explore the possibility of requiring the Department of Agriculture to issue "bonus" food stamps to eligible participants for the commercial purchase of dairy products.

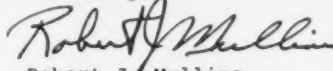
Mr. Chairman, we further recommend that your Subcommittee urge the Congress to fund, at the level necessary to meet the needs of all eligible individuals, the Food Stamp Program, the School Lunch Program, the Special Milk Program and WIC. In our opinion, these programs are as vital to the overall national security of this country as is the procurement of additional weapons.

Page 2
The Honorable Leon E. Panetta
April 14, 1986

As a nation, we are faced with an anomaly -- increasing numbers of hungry people on the one hand, and increasing surpluses of readily edible food on the other. Congress must insist that our abundant supplies of food are used to insure an adequate diet for all Americans -- regardless of their economic situation.

Mr. Chairman, I respectfully request that this letter be made part of the record of the April 16 hearing of your Subcommittee.

Sincerely,



Robert J. Mullins
Director
Legislative Services

cc: Members of the Subcommittee

TESTIMONY OF JOSE A. ORTIZ-DALÍOT

Director

Puerto Rico Federal Affairs Administration

The Effect of the President's Fiscal Year 1987 Budget on the
Nutrition Assistance Program of Puerto Rico

April 16, 1985

Mr. Chairman, distinguished members of the House Subcommittee on Domestic Marketing, Consumer Relations, and Nutrition.

I am José A. Ortiz-Dalíot and as Director of the Puerto Rico Federal Affairs Administration, which is generally known as Office of the Governor of Puerto Rico in Washington, D.C., I welcome this opportunity to discuss the President's Fiscal Year 1987 budget proposal for the Puerto Rico Nutrition Assistance Program block grant.

The Administration's proposal for fiscal year 1987 would eliminate what was accomplished in the Food Security Act of 1985, and return the Nutrition Assistance Program (NAP) to its previous level of \$825 million despite the \$27.75 million partial inflation adjustment approved in the Food Security Act of 1985.

Last year the Senate and House Agriculture Committees, recognizing the inequity of the \$825 million ceiling on the program over the last five years, approved legislation (the Food Security Act of 1985) which indexed the block grant for inflation beginning in fiscal year 1987. This legislation, signed by the President just a few months ago, would increase the block grant to \$852.75 for fiscal year 1987. It is difficult to understand how the

Administration can now recommend a return to the previous, unfair ceiling which is insufficient to meet the nutritional needs of the low-income population of Puerto Rico. Translated into actual benefits, this inflation adjustment only represents an average \$5.79 in additional monthly funding per household.

When the island was removed from the national food stamp program and granted a special nutrition assistance block grant at a level 25% below the amount being received, it resulted in the removal of 113,000 households from the program and a reduction in the income eligibility level from \$11,000 to \$8,000. Income eligibility level under the national food stamp program for January 1985 was \$13,260.

Currently, the maximum monthly benefit in Puerto Rico is \$199, as opposed to \$264 on the mainland, while the average monthly benefit for a family of four is \$161. Food prices are approximately 32% higher in Puerto Rico than in the Washington, D.C. area. Over 62% of the population of the island lives below the federal poverty level versus slightly more than 10% of the population in the United States according to the 1980 U.S. census report. Since 1980 the unemployment level in Puerto Rico has climbed from 17% to a yearly average of over 20% in 1985.

Close to 50% of the population participates in the NAP. Despite the unfortunate economic circumstances which affect Puerto Rico, the island does not participate in major programs such as General Revenue Sharing and SSI, and only on a limited basis in programs such as AFDC (\$72 million ceiling) and Medicaid (\$63.4 million ceiling).

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The President's overall budget proposal for 1987, if approved by Congress, would impose severe burdens on the island's already deficient economy. Proposed elimination of agencies such as the Farmers Home Administration and the Small Business Administration would seriously handicap Puerto Rico's efforts to become more productive and self-sufficient. Further economic distress would result from the elimination and/or significant reductions in programs such as the Urban Development Action Grant, Community Services Block Grant, Pell Grants, Supplemental Education Opportunity Grants, Vocational Education Basic State Grant, Community Development Block Grant, Summer Youth Employment Program, School Lunch Program, the Agricultural Extension Service, and others.

In 1984 a study done for the American Federation of State, Country, and Municipal Employees reported that Puerto Rico ranked third in the nation in per capita losses in federal aid over the previous three years. We led the nation in losses in such areas as nutrition assistance, employment and training, and assistance to the educationally deprived. That Puerto Rico should be hit hard by federal expenditure cuts is the natural outcome of a national policy of retrenchment in social programs which aid the poor. In spite of tremendous economic advances made during the 1950s and 60s, Puerto Rico remains the poorest jurisdiction in the United States by a substantial margin. The 1980 U.S. Census reported that the median family income in Puerto Rico was \$5,923, which is only 26 percent of median family income in the United States.

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One of the consequences of this persistent poverty has been increased migration to the mainland. In the decade of the 1970's, the number of Puerto Ricans living in the mainland grew by some 600,000 to 2,014,000, or by 41%. In Puerto Rico the population grew by 474,000 to a total of 3,184,000, or by 17.5%.

When Puerto Rico experienced its worst recession since the Great Depression in the mid-1970's, the blow was cushioned to a certain degree by a rise in federal expenditures for social programs. In the 1980s, declines in the private sector have been accompanied by reductions in the public sector. These trends continue with the fiscal year 1987 Administration budget.

The high food prices in Puerto Rico and their continued increase has led to an erosion each year of the real value of the \$825 million grant. Measured in 1983 dollars, the real value of the block grant in fiscal year 1987 would be \$733.7 million, a \$91.3 million decline. For fiscal years 1988 and 1989, the real value of the NAP block grant would be \$707.5 and \$678.3 million respectively.

Last December the enactment into law of Continuing Resolution H.J. 465 (P.L. 99-190) imposed a .6% across-the-board cut on all Department of Agriculture programs including the NAP, reducing the block grant to \$820.05- a loss of \$4.95 million. This became the spending baseline utilized by the CBO, as well as by the Senate Budget Committee in its Concurrent Resolution 120 which assigns \$847.11 million to the NAP, instead of the \$852.75 million authorized by the Food Security Act of 1985. This would represent a loss of another \$5.64 million in addition to the \$4.95 million already taken from fiscal year 1986 funding.

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Now the Administration proposes that the NAP be funded at the previous unfair level of \$825 million denying Puerto Rico the modest inflation adjustment approved in the Food Security Act of 1985. The intent of the Food Stamp Program has always been to alleviate hunger for the poorest of the poor. Puerto Ricans are the poorest of the poor.

We would also like to bring to the attention of the Subcommittee an area of concern. We have learned that the Administration wants the Subcommittee to believe that NAP should not be adjusted for inflation because Puerto Rico can attain this goal by eliminating the so-called Special Projects.

Public Law 97-35 permits the Commonwealth of Puerto Rico to "employ a small proportion of the block grant funds to finance projects that the Government of the Commonwealth believes likely to improve or stimulate agriculture, food production, and food distribution, which will increase the self-sufficiency and nutritional standards of needy citizens residing in the Commonwealth."

The special projects were put in operation in FY 82. The funding of these projects reached a level of approximately \$25 million during the incumbency of the previous administration in Puerto Rico. In 1985, a new administration came into power and immediately realized the need to redirect a large amount of the funds allocated to special projects to the direct beneficiaries of the program.

As a result of our efforts, the special projects have been reduced to a minimum of two projects -- the Tick Eradication and the Crop Protection programs.

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The Tick Eradication program was slated for termination by the Department of Social Services, but has continued in operation at the request of the U.S. Department of Agriculture which strongly recommended that it be funded for 1986 at a higher level than for the previous year.

On behalf of the needy population of Puerto Rico, we request your support of the funding provision for Fiscal Year 1987 with respect to the NAP block grant that was authorized by Congress in the Food Security Act of 1985 and signed into law by the President.

TESTIMONY

Presented by:

Nick J. Rahall, II
Member of Congress
Fourth Congressional District
State of West Virginia

I would like to thank the distinguished Chairman and the other members of the Domestic Marketing, Consumer Relations and Nutrition Subcommittee for inviting me to testify before the Subcommittee pursuant to my introducing H.R. 891. As you know, H.R. 891 would amend the Food Stamp Act to exclude from household income certain actual and reasonable expenses for books and transportation incidental to attending school. As the Subcommittee addresses the President's proposed fiscal 1987 budget for federal domestic food assistance programs, I believe it is an appropriate time for me to express my concerns with regard to the Food Stamp Act, and to clarify the student related anomalies which exist therein.

As recently amended, the Food Stamp Act provides that any federal educational assistance --including any deferred-repayment educational loan, grant, scholarship, fellowship, veterans' educational benefit, or the like-- is disregarded as income only to the extent that it is used for tuition and mandatory fees at a postsecondary educational institution or school for the handicapped.

Non-federal educational assistance --such as private scholarships or stipends, school-financed grants, or State aid programs-- is subject to two slightly different rules. If the non-Federal aid is provided directly to the student, only the portion used for tuition and mandatory fees is disregarded, as with Federal assistance. However, if the non-Federal aid is provided in the form of a reimbursement for expenses or a vendor payment to a third party, a disregard is required for: (1) tuition and mandatory fees; and (2) any other portion of the aid not provided for "living expenses."

In all cases, student loan origination fees and insurance are disregarded, along with the full amount of any student loan on which payment is not deferred (as are all loans).

My concerns with the student provisions of the Food Stamp Act are three-fold. First, the exclusion of income provisions ignore the book and transportation costs to the student. Second, these provisions are restricted to federal grants and loans thereby penalizing Food Stamp recipients who utilize scholarships, stipends, school-financed grants, or State aid programs in lieu of federal funding. Third, these provisions inherently discriminate against those students who do not receive federal, state or local aid, but manage, through their own means and initiative to obtain an advanced education. These anomalies lead to confusion and undermine congressional intent to treat all Food Stamp recipients in a fair and equal fashion in an overall effort to assist them in becoming self-reliant.

In an effort to make the reality of this situation clear, please allow me to outline a hypothetical case study. Jane Doe, a divorced mother of three children ranging in age from five to eleven, receives Food Stamps. She is enrolled in Beckley College, Beckley, West Virginia on a full-time basis. To attend college she is receiving a pell grant which amounts to \$915 per term; this is the most a student attending Beckley College full-time could expect from a pell grant.

Out of that \$915, Jane pays \$550 for tuition, which is excludable from income. \$375 dollars remains to pay for books, transportation and supplies.

Books and supplies generally run an average of \$150 - \$200, leaving --at most-- \$225 for transportation. Now, Beckley is a rural area, and students travel at least twenty miles one-way to attend Beckley College. Obviously, \$225 does not cover all transportation costs when you consider an average of 200 miles per week. But this is not where Jane faces difficulty. The problem lies in the treatment of the original \$375 after tuition.

According to the Food Stamp Act, this \$375 is included as income when calculating a family's Food Stamp allotment because books, supplies and transportation costs are not excluded as income. However, prior to receiving the pell grant --or any other federal grant or loan-- the student must first sign a statement of educational purpose which certifies that the recipient will use any money he or she receives under federally assisted loans, grants or work study programs only for expenses related to his or her study at the given college. In other words, this money can not be used to supplement any loss in Food Stamps which is caused by the amount of the grant or loan which is not excluded as income.

Here is where Jane and countless others must decide whether to continue with their education, or feed their families. That \$375 dollars, divided by the four months of the school term, could potentially cost the family \$93 a month in food stamps. Since the grant money cannot be used to supplement this loss, the student's choice is basically to attend school or feed the family. It is not hard to conclude what the decision will be. This student is forced to put education aside. And when this student chooses to leave school, he or she has chosen to remain on welfare for a number of years to come. I contend that these students are not being given a choice but an ultimatum. And this ultimatum serves to defeat congressional intent, which is to promote self-reliance.

As the members of the Subcommittee are aware, there has been recent congressional action which touches on this issue. On December 4, 1985, an amendment was adopted by the House to H.R. 3700, the Higher Education Act Amendments, that would disregard federal education-related fees, including books and miscellaneous personal expenses from income for eligibility under any other federal assistance program. This legislation, however, would only exclude income received under Federal grants or loans which are administered by the Department of Education.

This is certainly a beginning, but the totality of my concerns can only be addressed by revisions in the Food Stamp Act. Under current law post-secondary educational grant or loan income used for non-tuition educational expenses is fully counted for food stamp purposes, unless it is used to pay "mandatory fees." Mandatory fees being those expenses charged to all students in a particular course of study. Thus, while payments made for tuition and certain mandatory fees are excluded in the income calculation, other educationally related expenses, such as transportation, books and supplies, are not. Only a revision of the Food Stamp Act could exclude as income that money which is received under all Federal grants and loans to pay for books, supplies and transportation incidental to attending school.

Furthermore, the Food Stamp Act excludes income received from federal grants and loans, but does not allow for the exclusion of income received from non-Federal grants or loans, such as state scholarships or special

grants from community colleges. To ensure consistency in the treatment of all Food Stamp recipients, the exclusion should be extended to include monies provided by these other resources.

Finally, one of the overriding anomalies which exists in the treatment of student income concerns students who do not receive any type of grant or loan for educational purposes. These students struggle to pay for their education, however, income received to pay for tuition and mandatory fees is not excluded as income because they are not receiving a federal grant or loan. Again, in an effort to be consistent, these students should be permitted the same rules of exclusion of income as other Food Stamp recipients.

These concerns represent difficult situations which must be addressed with administrative finesse, however, we must recognize them for what they are. They are discrepancies in current law which penalize food stamp recipients who are, through their own diligent efforts, managing to obtain a post-secondary education.

I do not believe that the intent behind the Food Stamp Act was to penalize needy families for educational opportunities which family members may receive. Whether the students education be funded by federal, state, local, or private means, the same rules and exclusions should apply. If we allow the present anomalies in the Act to continue, we are undermining the chance for many individuals to become self-supporting through opportunities that are provided by a thorough education. It is my hope that the Subcommittee will address these issues in an effort to alleviate some of the burden which has been placed on many needy American families, thus providing America's underprivileged the hope to work for a better tomorrow. I implore the Subcommittee to consider my testimony during future discussions in this regard.

STATEMENT OF

RAYMOND C. SCHEPPACH
EXECUTIVE DIRECTOR

NATIONAL GOVERNORS' ASSOCIATION

Mr. Chairman and members of the Subcommittee, I am pleased to have the opportunity to submit a written statement for the hearing record on behalf of the National Governors' Association concerning the President's FY 1987 budget proposals for the Food Stamp program.

Before I comment on the specific proposals, I would like to thank the Chairman for his extraordinary and successful efforts to secure additional Food Stamp benefits for the poor and hungry of this nation in the 1985 farm bill. The Governors' supported your efforts and are hoping that this increase in food benefits, though modest, will ease the burden on the poorest families in this nation. In addition, we are hoping the relaxation of eligibility rules for certain farmers and the emphasis on serving the homeless will ease the burden of finding adequate nutrition for those families and individuals. I am sure the Governors will implement these increases in benefits, changes in eligibility and new procedures for the homeless quickly and efficiently.

In addition, I would like to thank the Chairman for his efforts toward solving the problems of the Food Stamp Quality Control system. As you know, the Governors support a strong federal-state Quality Control system which provides for a real partnership in controlling payment errors. But we continue to oppose punitive fiscal sanctions. We believe, as we will outline later, that the moratorium on fiscal sanctions in the Food Stamp program must be extended at least until the studies of the Food Stamps, Aid to Families with Dependent Children and Medicaid Quality Control systems are finished and thoroughly reviewed.

We are also extremely pleased with your interest in reforming the welfare system and by your efforts to coordinate House action on welfare

reform with Representative Harold Ford, Chairman of the Subcommittee on Public Assistance and Unemployment Compensation of the Ways and Means Committee. The Governors made it quite clear at their winter meeting that welfare reform is a major issue and that they intend to participate in the national debate about how the system might be reformed. NGA believes that only a comprehensive review of the nation's welfare system with input from all those who have fiscal and administrative responsibilities in the system will move us forward, as a nation, with a common sense of purpose and direction. Thus, I offer on behalf of the NGA our assistance to you and your House colleagues as you work toward the development of a more effective welfare system.

The President's FY 1987 Budget Proposals for the Food Stamp Program

The President's FY 1987 budget proposals seek to repeal the work of the Congress in the 1985 farm bill. While the Congress strongly supported increases in benefits, the President's budget proposes to repeal those increases and actually cut benefits further. The Congress also strongly supported the need for a moratorium on fiscal sanctions and for thorough studies of the current quality control systems; the President's proposals demand an increase in fiscal sanctions liability of about \$218 million over the next three years in addition to an estimated current law liability for fiscal years 1982-1989 of over \$800 million. While the Congress rejected mandated participation level requirements of 100 percent for applicants and 75 percent for recipients in employment and training programs, the President seeks to mandate these participation levels. And while the Congress soundly rejected artificial capping or reducing of federal contributions for state administrative costs, the President's proposals again request this authority.

The NGA Food Stamp Program policy clearly opposes these proposals in the President's budget. We urge you to reject them this year as you did last year.

The Food Stamp Program Quality Control System and Error Rate Sanctions

The 1985 farm bill provided for a 6 month moratorium on Quality Control fiscal sanctions which ends June 20, 1986, and mandated two concurrent and independent studies of the Food Stamp program quality control system by the U.S.D.A. and the National Academy of Sciences. Those studies were intended to be finished one year after enactment or by December 20, 1986. But the Secretary of Agriculture has not yet contracted with the National Academy to begin its study.

Because the Department has yet to sign the contract, the Congress, in the Food Security Improvements Act of 1986 signed into law by the President on March 20, 1986, extended the time of the studies to 1 year after the date the Secretary of U.S.D.A. signs the contract with the National Academy. Thus, it is likely the studies will not be finished until late next spring or early summer.

The 1985 farm bill, as amended by the 1986 bill, required the Secretary to restructure the Food Stamp Quality Control system, based upon the results of the studies, and to implement a restructured system within 6 months after the studies are reported to Congress. That means the regulations will be published and implemented at the same time in late fall or early winter of 1987.

Since passage of the farm bill and the 1986 amendments, Congress has passed and the President signed on April 7, 1986 the 1986 Reconciliation bill which includes a two-year moratorium on AFDC Quality Control fiscal sanctions and provides for one-year concurrent studies of the AFDC and Medicaid quality control fiscal sanctions systems by the Department of Health and Human Services and the National Academy of Sciences. The Secretary of HHS, like the Secretary of Agriculture for the Food Stamps Quality Control system, is required by the Reconciliation bill to publish regulations and implement restructured AFDC and Medicaid quality control systems based upon the studies.

While we understand the politics of not providing for 2 year moratoriums in the Food Stamps and Medicaid programs, we fail to understand the logic.

NGA believes that since the QC systems for all three programs have almost identical flaws, and since the Congress has mandated thorough studies of these three QC systems over the next year and mandated restructuring these systems based on those studies, Congress should provide all three programs with the same moratorium period as now provided for AFDC.

If Congress fails to extend the moratorium in the Food Stamp program, states will unfortunately be left to seek redress of the issues in the courts. Already 5 states are in federal district courts appealing fiscal sanctions for the second half of fiscal 1981 and first half of fiscal 1982. Thirty four states are liable for fiscal sanctions for FY 1984 with 11 of those states also having outstanding liability for fiscal 1983 and two of those 11 states with outstanding liability also for the second half of fiscal

1982. Moreover, if the 1985 Food Stamp error rate sanctions are published before June 20, 1986, the day the moratorium ends, we estimate that over forty states will be liable for fiscal sanctions in that year.

The result is that the states and the federal government will in all likelihood waste time and resources in the administrative appeals process and in the courts during the same time when U.S.D.A. and the National Academy of Sciences will be studying the very issues that would be the focus of court action.

NGA believes federal and state time and resources could be better spent on cooperative efforts to bring error rates down further. The Governors are committed to reducing errors. We urge you, Mr. Chairman and members of the Subcommittee to support an extension of the moratorium on the Food Stamp program fiscal sanctions to cover the period of the studies and the restructuring process.

The Food Stamp Employment and Training Program

While Governors continue to support a strong emphasis on putting Food Stamp recipients to work, NGA policy opposes a federal approach to employment and training in the Food Stamp program intended solely as a short-term budget reduction tool. The President's budget proposal for employment and training continues to seek budget reduction by mandating a limit on the types of employment, training, and education programs which can be offered to recipients and by mandating specific percentages of applicants and/or recipients of the total able-bodied who must participate in some employment activity.

The NGA opposes the employment and training program enacted as a compromise in the 1985 farm bill because it gives the Secretary authority to set participation percentage standards. While it is uncertain what percentage targets the Secretary will set for each state, it is clear that the intent of such standards is to reduce to caseload in the short-run regardless of the long-term impacts on recipients, the labor force or on the caseload.

To refocus the Food Stamp employment and training effort on the longer term impact on recipients, caseload and benefit costs, NGA suggests that the proper federal role is to establish a floor for expected outcomes but allow states to adjust the program design and target groups for service. Possible outcomes which could be measured are placements in jobs, reductions in benefit costs and increases in the hours of employment or earnings. The 1985 farm bill's employment and training program provisions recognize these outcome measures by requiring that the Secretary must consider them when determining whether a state meets the required federal participation percentage for a specific year. We urge the Congress to replace the participation percentage focus of the current law with a focus on outcomes. We therefore also strongly urge the Congress to reject the President's proposal to make the participation percentages more stringent.

We also urge the Congress to reject the President's budget proposal to reduce the funding for the Food Stamp employment and training programs from the \$40 and \$50 million for fiscal years 1986 and 1987 as provided for in the 1985 farm bill, to \$30 million each year. Such a reduction is again focused only on short-term budget savings.

This cut is particularly unreasonable given that more states will have to share this basic employment and training funding over the next several years as they begin to implement programs under the new law. About 35 states will share these funds in FY 1986. In FY 1987, if all states implement, 50 states will share the basic funding. To reduce the funding \$20 million in FY 1987, when all states will be in the first year of implementing a new employment and training program and 15 states will be implementing any type of employment and training program for food stamp recipients, is short-sighted when it is certain that start-up costs for states will certainly be higher in the first year.

When this funding cut proposal is considered in the context of the President's proposal to set more stringent percentage participation requirements, it becomes clear that the intent of this proposal is to increase the burden on the states for the cost of employment and training of Food Stamp recipients.

Federal Matching For State Administrative Expenditures

While the President's budget proposal for FY 1987 does not propose a cap on administrative funds, it does propose a combination of across-the-board reductions in matching rates for automated systems and anti-fraud activities and targeted reductions in matching rates for certain states. NGA opposes both proposals because they would shift the burden of administrative costs to states. This shift would occur over the next few years when states are being required under the 1985 farm bill to develop and implement complete Food Stamp program automated systems and step-up anti-fraud and eligibility verification efforts.

We believe the new requirements to automate the Food Stamp program argues strongly against any reduction in the matching rate over the next several years. The 1985 farm bill provides that states must write state plans over the next one and a half years based on a national computer systems model. Then states must begin implementing those plans beginning in fiscal 1989 (October 1, 1988). To assure states meet these deadlines and to actually implement the systems according to their plans, the farm bill gives the Secretary the authority to penalize states by withholding federal matching funds from either the regular funds or the 75 percent matching funds for computer systems as well as use other compliance methods. NGA believes this process is reasonable and provides for Secretarial review on a state by state basis with adequate enforcement authority. Any reductions in administrative costs up front is unwarranted.

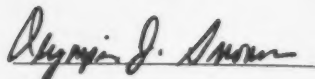
We also oppose the reductions in the administrative match for anti-fraud activities. The 1985 farm bill requires the establishment and operation of fraud detection administrative units in project areas of 5,000 or more Food Stamp households. This is a significant increase in anti-fraud efforts which will result in increased administrative costs. The United States Department of Agriculture has been encouraging states to become more and more active in anti-fraud activities. These efforts are expensive. We believe, therefore, that it is both short-sighted and inconsistent for the federal government to reduce administrative matching for these activities while requiring and encouraging increased total expenditures.

Finally, the President's budget proposal seeks to reduce federal administrative matching for states with average per recipient administrative expenditures higher than 175 percent of the national average. We do not

believe such reduction should occur given the current authority in the law for the Secretary to set and enforce standards for efficient and effective administration of the program. Under this latter authority, the Secretary may audit any state to ensure that specific administrative actions be implemented to meet the federal standards for efficiency and effectiveness set by the Secretary. Thus, for any state, whether administrative costs are above the national average or not, the Secretary currently has the authority to determine whether those costs are for efficient and effective administrative practices. To reduce administrative matching for any state regardless of whether the state's administrative expenditures meet the Secretary's standards for efficient and effective administration of the program is clearly a short-sighted budget reduction tool to shift administrative costs to the states. We oppose this proposal as unnecessary to achieve the goals of the Act for efficient and effective administration of the program.

Conclusion

The National Governor's Association strongly supports continued efforts to improve the administration and cost effectiveness of the Food Stamp program. NGA also strongly believes that the modest benefit increases in the 1985 farm bill were needed to continue the nation's attack on the continuing problem of hunger among the 34 million Americans in poverty. We, therefore, oppose the President's budget proposals. We welcome continued dialogue with Congress on these critical issues.


OLYMPIA J. SNOWE, M.C.

April 16, 1986

STOP PENALIZING
FOOD STAMP RECIPIENTS SEEKING AN EDUCATION

I would like to thank Chairman Panetta and the Subcommittee on Domestic Marketing, Consumer Relations and Nutrition of the Committee on Agriculture for this hearing to review President Reagan's fiscal 1987 budget proposals for nutrition programs, and for this opportunity to consider the relationship between the Nation's Food Stamp Program and student financial aid. Last July, I introduced H.R. 3028, which amends the Food Stamp Act of 1977, to allow a percentage of certain educational loans and grants to be deducted from income calculations for purposes of participating in the Food Stamp Program.

Currently, educational loans and grants are considered income for purposes of determining eligibility in the Food Stamp Program. Thus, these two forms of aid are rather incompatible - and many families must choose one or the other. The result of this dilemma, for many of our lower-income citizens, is to remain in the Food Stamp Program rather than attend an institution of higher education and thus improve their employment options.

As we are all aware, the issue of making our social welfare dollars increasingly efficient and well-spent is of the highest priority. A key approach is to find and encourage the means to promote employability: and a well-known and repeatedly documented fact is that education is the link to employability and job advancement. Therefore, I believe that it is of critical importance that we remove the existing penalty incurred by low-income persons who seek to further their educations.

Under current law, all loans, except educational loans and grants, are excluded from consideration as income for purposes of determining eligibility for the Food Stamp Program. While the recipient is permitted to deduct the portion of the educational aid used for tuition and mandatory expenses, the amount he or she must use for books, transportation, child care and other expenses incidental to attending school, is fully countable as income.

Counting this financial aid as income often causes the recipient to lose a portion or all of his or her food stamp benefits. This situation, in turn, causes an individual to have to choose between going to school and jeopardizing the health of the family.

I have received numerous letters and calls from families in Maine who suffer from this very difficult situation. One case in Maine involved a woman who had two children and was recently divorced. With the loss of family income, she was forced to apply for AFDC and food stamps, which she received. Shortly after, she decided to enroll in an associate degree program in the construction trades at a local vocational technical institute. In order to finance this educational program she received a small Pell grant and a guaranteed student loan. Entering the program necessitated her investing in car repairs, arranging day care for her children, and purchasing tools and winter clothing needed for the course of study, as well as paying the mandatory tuition fees.

After making all these arrangements, however, this mother learned that her food stamp benefits would be decreased from \$161 a month to \$23 a month, because all of her student aid money above the mandatory tuition fees was counted as additional income.

Clearly, this amount is insufficient to feed a family of three for a month. Because the law fails to recognize that attending school requires financial outlays in excess of mandatory school fees, this woman is being penalized for trying to go back to school.

H.R. 3028 helps correct this problem by allowing food stamp recipients attending school to disregard 18 percent of their loans or grants above and beyond the portion used for mandatory expenses, when applying for food stamps. For example, an AFDC woman might receive a \$4,000 student loan, and spend \$2000 for college tuition and fees. Under current law, the remaining \$2000 is counted as income regardless of the additional expenses for books, transportation and child care for which the woman must pay in order to attend classes. My legislation, however, requires that 18% of this \$2000, or \$360, be disregarded when calculating food stamp benefits.

My proposal follows the precedent set in current law which allows food stamp recipients who are employed a similar deduction to cover the added expenses of going to work. Thus, H.R. 3028 simply recognizes the fact that going to school can cause added financial costs comparable to those incurred by going to work.

Reducing the food stamp benefits for individuals returning to school is certainly inconsistent with our goal of encouraging the recipients of public assistance to become self-sufficient. We must stop penalizing those who are working hard to become self-supporting members of society.